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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED **June 30, 2011**

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER **000-19319**

VERTEX PHARMACEUTICALS INCORPORATED

(Exact name of registrant as specified in its charter)

MASSACHUSETTS
(State or other jurisdiction of
incorporation or organization)

04-3039129
(I.R.S. Employer Identification No.)

130 WAVERLY STREET
CAMBRIDGE, MASSACHUSETTS
(Address of principal executive
offices)

02139-4242
(Zip Code)

(617) 444-6100
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

Non-accelerated filer
(Do not check if a
smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, par value \$0.01 per

208,087,899

VERTEX PHARMACEUTICALS INCORPORATED
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2011

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"We," "us," "Vertex" and the "Company" as used in this Quarterly Report on Form 10-Q refer to Vertex Pharmaceuticals Incorporated, a Massachusetts corporation, and its subsidiaries.

"Vertex" and "INCIVEK" are registered trademarks of Vertex. Other brands, names and trademarks contained in this Quarterly Report on Form 10-Q are the property of their respective owners.

Part I. Financial Information
Item 1. Financial Statements

Vertex Pharmaceuticals Incorporated
Condensed Consolidated Balance Sheets
(unaudited)

(in thousands, except share and per share amounts)

	June 30, 2011(1)	December 31, 2010
Assets		
Current assets:		
Cash and cash equivalents	\$ 458,195	\$ 243,197
Marketable securities, available for sale	135,296	788,214
Restricted cash and cash equivalents (Alios)	63,098	—
Accounts receivable, net	96,016	12,529
Inventories	52,622	—
Prepaid expenses and other current assets	21,897	13,099
Total current assets	<u>827,124</u>	<u>1,057,039</u>
Restricted cash	34,114	34,090
Property and equipment, net	84,203	72,333
Intangible assets	769,300	518,700
Goodwill	33,501	26,102
Other assets	14,858	17,182
Total assets	<u>\$ 1,763,100</u>	<u>\$ 1,725,446</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 67,275	\$ 35,851
Accrued expenses and other current liabilities	141,167	134,414
Accrued interest	3,350	3,462
Deferred revenues, current portion	65,018	74,619
Accrued restructuring expense, current portion	5,151	5,497
Secured notes (due 2012)	94,664	136,991
Liability related to sale of potential future milestone payments	87,131	77,799
Income taxes payable (Alios)	15,212	—
Other obligations	—	6,150
Total current liabilities	<u>478,968</u>	<u>474,783</u>
Deferred revenues, excluding current portion	134,036	160,049
Accrued restructuring expense, excluding current portion	23,054	24,098
Convertible senior subordinated notes (due 2015)	400,000	400,000
Deferred tax liability, net	260,448	160,278
Construction financing obligation	11,181	—
Other liabilities	6,233	2,265
Total liabilities	<u>1,313,920</u>	<u>1,221,473</u>
Commitments and contingencies		
Redeemable noncontrolling interest (Alios)	36,299	—
Shareholders' equity:		
Preferred stock, \$0.01 par value; 1,000,000 shares authorized; none issued and outstanding at June 30, 2011 and December 31, 2010	—	—
Common stock, \$0.01 par value; 300,000,000 shares authorized at June 30, 2011 and December 31, 2010; 207,473,193 and 203,522,976 shares issued and outstanding at June 30, 2011 and December 31, 2010, respectively	2,055	2,016
Additional paid-in capital	4,100,775	3,947,433
Accumulated other comprehensive loss	(707)	(1,067)
Accumulated deficit	(3,794,574)	(3,444,409)
Total Vertex shareholders' equity	<u>307,549</u>	<u>503,973</u>
Noncontrolling interest (Alios)	105,332	—
Total shareholders' equity	<u>412,881</u>	<u>503,973</u>
Total liabilities and shareholders' equity	<u>\$ 1,763,100</u>	<u>\$ 1,725,446</u>

(1) Amounts include the assets and liabilities of Vertex's variable interest entity ("VIE"), Alios BioPharma, Inc. ("Alios"). Vertex's interests and obligations with respect to the VIE's assets and liabilities are limited to those accorded to Vertex in its agreement with Alios. See Note K to these condensed consolidated financial statements for amounts.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Vertex Pharmaceuticals Incorporated
Condensed Consolidated Statements of Operations
(unaudited)
(in thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2011	2010	2011	2010
Revenues:				
Product revenues, net	\$ 74,535	\$ —	\$ 74,535	\$ —
Royalty revenues	10,010	7,262	16,071	13,669
Collaborative revenues	29,879	24,360	97,480	40,382
Total revenues	114,424	31,622	188,086	54,051
Costs and expenses:				
Cost of product revenues	5,404	—	5,404	—
Royalty expenses	3,902	3,086	6,568	6,453
Research and development expenses	173,604	155,082	332,216	298,094
Sales, general and administrative expenses	96,663	40,915	168,186	76,467
Restructuring expense	741	2,112	1,501	2,892
Total costs and expenses	280,314	201,195	513,875	383,906
Loss from operations	(165,890)	(169,573)	(325,789)	(329,855)
Interest income	202	484	1,604	939
Interest expense	(6,962)	(3,683)	(18,963)	(7,638)
Change in fair value of derivative instruments	(2,220)	(27,234)	(7,818)	(28,723)
Loss before provision for income taxes	(174,870)	(200,006)	(350,966)	(365,277)
Provision for income taxes (Alios)	24,448	—	24,448	—
Net loss	\$ (199,318)	\$ (200,006)	\$ (375,414)	\$ (365,277)
Net loss attributable to noncontrolling interest (Alios)	(25,249)	—	(25,249)	—
Net loss attributable to Vertex	\$ (174,069)	\$ (200,006)	\$ (350,165)	\$ (365,277)
Basic and diluted net loss attributable to Vertex per common share	<u>\$ (0.85)</u>	<u>\$ (1.00)</u>	<u>\$ (1.72)</u>	<u>\$ (1.83)</u>
Basic and diluted weighted-average number of common shares outstanding	204,413	200,397	203,377	199,670

The accompanying notes are an integral part of these condensed consolidated financial statements.

Vertex Pharmaceuticals Incorporated
Condensed Consolidated Statements of Cash Flows
(unaudited)
(in thousands)

	Six Months Ended June 30,	
	2011	2010
Cash flows from operating activities:		
Net loss	\$ (375,414)	\$ (365,277)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	17,567	15,496
Stock-based compensation expense	59,758	43,782
Other non-cash based compensation expense	4,408	3,497
Secured notes (due 2012) discount amortization expense	9,187	6,570
Change in fair value of derivative instruments	7,818	28,723
Deferred income taxes	9,330	—
Loss on disposal of property and equipment	—	22
Other non-cash items, net	(223)	—
Changes in operating assets and liabilities, excluding the effect of the acquisition of a variable interest entity (Alios):		
Accounts receivable, net	(83,714)	6,045
Inventories	(52,086)	—
Prepaid expenses and other current assets	(8,692)	(9,400)
Accounts payable	30,147	9,636
Accrued expenses and other liabilities	995	(16,884)
Accrued restructuring expense	(1,390)	(93)
Accrued interest	(112)	(431)
Income taxes payable (Alios)	15,212	—
Deferred revenues	(35,614)	(27,035)
Net cash used in operating activities	(402,823)	(305,349)
Cash flows from investing activities:		
Purchases of marketable securities	(135,109)	(321,252)
Sales and maturities of marketable securities	788,029	518,141
Payment for acquisition of a variable interest entity (Alios)	(60,000)	—
Expenditures for property and equipment	(15,281)	(12,796)
(Increase) decrease in restricted cash and cash equivalents	1,453	(3,777)
Increase in other assets	(350)	(906)
Net cash provided by investing activities	578,742	179,410
Cash flows from financing activities:		
Issuances of common stock from employee benefit plans	88,673	17,137
Payments to redeem a portion of secured notes (due 2012)	(50,000)	—
Debt conversion costs	—	(22)
Net cash provided by financing activities	38,673	17,115
Effect of changes in exchange rates on cash	406	(226)
Net increase (decrease) in cash and cash equivalents	214,998	(109,050)
Cash and cash equivalents—beginning of period	243,197	446,658
Cash and cash equivalents—end of period	<u>\$ 458,195</u>	<u>\$ 337,608</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 6,812	\$ 761
Conversion of convertible senior subordinated notes (due 2013) for common stock	\$ —	\$ 32,071
Accrued interest offset to additional paid-in capital on conversion of convertible senior subordinated notes (due 2013)	\$ —	\$ 140
Unamortized debt issuance costs of converted convertible senior subordinated notes (due 2013) offset to additional paid-in capital	\$ —	\$ 624
Capitalization of construction in-process related to financing lease transactions	\$ 9,887	\$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements

(unaudited)

A. Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited and have been prepared by Vertex Pharmaceuticals Incorporated ("Vertex" or the "Company") in accordance with accounting principles generally accepted in the United States of America.

The condensed consolidated financial statements reflect the operations of (i) the Company, (ii) its wholly-owned subsidiaries and (iii) Alios BioPharma, Inc. ("Alios"), a collaborator that is a variable interest entity (a "VIE") for which the Company is deemed under applicable accounting guidance to be the primary beneficiary. All material intercompany balances and transactions have been eliminated.

Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The interim financial statements, in the opinion of management, reflect all normal recurring adjustments (including accruals) necessary for a fair presentation of the financial position and results of operations for the interim periods ended June 30, 2011 and 2010.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year. The Company obtained approval for INCIVEK™ (telaprevir) on May 23, 2011 from the United States Food and Drug Administration (the "FDA") and began recognizing product revenues and cost of product revenues beginning in the second quarter of 2011. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2010, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2010 that was filed with the Securities and Exchange Commission (the "SEC") on February 17, 2011.

B. Accounting Policies

Basic and Diluted Net Loss Attributable to Vertex per Common Share

Basic net loss attributable to Vertex per common share is based upon the weighted-average number of common shares outstanding during the period, excluding restricted stock and restricted stock units that have been issued but are not yet vested. Diluted net loss attributable to Vertex per common share is based upon the weighted-average number of common shares outstanding during the period plus additional weighted-average common equivalent shares outstanding during the period when the effect is dilutive. Common equivalent shares result from the assumed exercise of outstanding stock options (the proceeds of which are then assumed to have been used to repurchase outstanding stock using the treasury stock method), the assumed conversion of convertible notes and vesting of unvested restricted stock and restricted stock units. Common equivalent shares have not been included in the net

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****B. Accounting Policies (Continued)**

loss attributable to Vertex per common share calculations because the effect would have been anti-dilutive. Total potential gross common equivalent shares consisted of the following:

	At June 30,	
	2011	2010
	(in thousands, except per share amounts)	
Stock options	20,589	20,993
Weighted-average exercise price (per share)	\$ 32.43	\$ 32.07
Convertible senior subordinated notes	8,192	—
Conversion price (per share)	\$ 48.83	n/a
Unvested restricted stock and restricted stock units	1,971	1,871

Variable Interest Entities

The Company reviews each collaboration agreement pursuant to which the Company licenses assets owned by a collaborator in order to determine whether or not the collaborator is a VIE. If the collaborator is a VIE, the Company assesses whether or not the Company is the primary beneficiary of that VIE based on a number of factors, including (i) which party has the power to direct the activities that most significantly affect the VIE's economic performance, (ii) the parties' contractual rights and responsibilities pursuant to the collaboration and (iii) which party has the obligation to absorb losses or the right to receive benefits from the VIE. If the Company is determined to be the primary beneficiary of a VIE, the Company consolidates the statements of operations and financial condition of the VIE into the Company's condensed consolidated financial statements. As of June 13, 2011 (the effective date of the Company's collaboration with Alios) and June 30, 2011, the Company evaluated its collaboration with Alios (the "Alios Collaboration") and determined that Alios is a VIE and that the Company is Alios' primary beneficiary. The Company will re-evaluate its collaboration with Alios each reporting period in order to determine if there are changes in circumstances that would result in the Company ceasing to consolidate the statements of operations and financial condition of Alios into the Company's condensed consolidated financial statements. The Company would deconsolidate Alios if Alios ceased to be a VIE or if the Company was no longer Alios' primary beneficiary. Please refer to Note K, "Collaborative Arrangements," for further information.

Stock-based Compensation Expense

The Company expenses the fair value of employee stock options and other forms of stock-based employee compensation over the associated employee service period or, for awards with market conditions, the derived service period. For awards with performance conditions, the Company makes estimates regarding the likelihood of satisfaction of the performance conditions that affect the period over which the expense is recognized. Compensation expense is determined based on the fair value of the award at the grant date, including estimated forfeitures, and is adjusted each period to reflect actual forfeitures and the outcomes of certain market and performance conditions. Please refer to Note C, "Stock-based Compensation Expense," for further information.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

Research and Development Expenses

The Company expenses as incurred all research and development expenses, including amounts funded by research and development collaborations. The Company defers and capitalizes nonrefundable advance payments made by the Company for research and development activities until the related goods are delivered or the related services are performed.

Research and development expenses are comprised of costs incurred by the Company in performing research and development activities and include: salary and benefits; stock-based compensation expense; laboratory supplies and other direct expenses; contractual services costs, including clinical trial and pharmaceutical development costs; expenses associated with commercial supplies that are not being capitalized; and infrastructure costs, including facilities costs and depreciation expense. The Company evaluates periodically what portion of its commercial supply costs may be capitalized as described below in the Company's accounting policy regarding inventories.

The Company's collaborators funded portions of the Company's research and development programs related to specific drug candidates and research targets, including telaprevir, VX-661 and research directed toward identifying additional corrector compounds for the treatment of cystic fibrosis in the three and six months ended June 30, 2011, and telaprevir in the three and six months ended June 30, 2010. The Company's collaborative revenues, including amortization of up-front license fees received in prior periods, were \$29.9 million and \$24.4 million, respectively, for the three months ended June 30, 2011 and 2010, and \$97.5 million and \$40.4 million, respectively, for the six months ended June 30, 2011 and 2010. The Company's research and development expenses allocated to programs in which a collaborator funded at least a portion of the research and development expenses were approximately \$40 million in both the three months ended June 30, 2011 and the three months ended June 30, 2010, and approximately \$64 million and \$77 million, respectively, for the six months ended June 30, 2011 and 2010.

Inventories

The Company values its inventories at the lower of cost or market. The Company determines the cost of its inventories, which includes amounts related to materials and manufacturing overhead, on a first-in, first-out ("FIFO") basis. If the Company identifies excess, obsolete or unsalable items, its inventories are written down to their realizable value in the period that the impairment is first identified.

The Company capitalizes inventories produced in preparation for initiating sales of a drug candidate when the related drug candidate is considered to have a high likelihood of regulatory approval and the related costs are expected to be recoverable through sales of the drug. In determining whether or not to capitalize such inventory, the Company evaluates, among other factors, information regarding the drug candidate's safety and efficacy, the status of regulatory submissions and communications with regulatory authorities and the outlook for commercial sales, including the existence of current or anticipated competitive drugs and the availability of reimbursement. In addition, the Company evaluates risks associated with manufacturing the drug candidate and the remaining shelf life of the inventory. Please refer to Note H, "Inventories," for further information.

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****B. Accounting Policies (Continued)***Restructuring Expense*

The Company records costs and liabilities associated with exit and disposal activities based on estimates of fair value in the period the liabilities are incurred. In periods subsequent to the Company's initial measurement, the Company measures changes to the liability using the credit-adjusted risk-free discount rate it applied in the initial period. The Company evaluates and adjusts these liabilities as appropriate for changes in circumstances at least on a quarterly basis. Please refer to Note I, "Restructuring Expense," for further information.

*Revenue Recognition***Product Revenues, Net**

The Company sells INCIVEK principally to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers (collectively, its "Distributors") that subsequently resell INCIVEK to patients and healthcare providers. The Company recognizes net product revenues from sales of INCIVEK upon delivery to the Distributor as long as (i) there is persuasive evidence that an arrangement exists between the Company and the Distributor, (ii) collectibility is reasonably assured and (iii) the price is fixed or determinable.

The Company has written contracts with its Distributors and delivery occurs when a Distributor receives INCIVEK (freight on board destination). The Company evaluates the creditworthiness of each of its Distributors to determine whether revenues can be recognized upon delivery, subject to satisfaction of the other requirements, or whether recognition is required to be delayed until receipt of payment. In order to conclude that the price is fixed or determinable, the Company must be able to (i) calculate its gross product revenues from the sales to Distributors and (ii) reasonably estimate its net product revenues. The Company calculates gross product revenues based on the wholesale acquisition cost that the Company charges its Distributors for INCIVEK. The Company estimates its net product revenues by deducting from its gross product revenues (i) trade allowances, such as invoice discounts for prompt payment and distributor fees, (ii) estimated government and private payor rebates, chargebacks and discounts, such as Medicaid reimbursements, (iii) reserves for expected product returns and (iv) estimated costs of incentives offered to certain indirect customers including patients.

Trade Allowances: The Company generally provides invoice discounts on INCIVEK sales to its Distributors for prompt payment and pays fees for distribution services, such as fees for certain data that Distributors provide to the Company. The payment terms for sales to Distributors generally include a 2% discount for payment within 30 days. Consistent with historical industry practice, the Company expects its Distributors to earn these discounts and fees, and deducts the full amount of these discounts and fees from its gross product revenues at the time such revenues are recognized.

Rebates, Chargebacks and Discounts: The Company will contract with Medicaid, other government agencies and various private organizations (collectively "Third-party Payors") so that INCIVEK will be eligible for purchase by, or partial or full reimbursement from, such Third-party Payors. The Company estimates the rebates, chargebacks and discounts it will be obligated to provide to Third-party Payors and deducts these estimated amounts from its gross product revenues at the time the revenues are recognized. Based upon (i) the Company's contracts with these Third-party

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****B. Accounting Policies (Continued)**

Payors, (ii) the government-mandated discounts applicable to government-funded programs, (iii) information obtained from the Company's Distributors and third-parties regarding the payor mix for INCIVEK that has been prescribed since the Company began marketing INCIVEK in May 2011 and (iv) historical industry information regarding the payor mix for pegylated-interferon and ribavirin (which are the drugs that have been prescribed in combination for the treatment of genotype 1 hepatitis C virus ("HCV") infection since 2003), the Company estimates the rebates, chargebacks and discounts that it will be obligated to provide to Third-party Payors.

Product Returns: The Company estimates the amount of INCIVEK that will be returned and deducts these estimated amounts from its gross revenues at the time the revenues are recognized. The Company's Distributors have the right to return unopened unprescribed INCIVEK beginning six months prior to the labeled expiration date and ending twelve months after the labeled expiration date. The expiration date for INCIVEK is two years after it has been converted into tablet form, which is the last step in the manufacturing process for INCIVEK and generally occurs within a few months before INCIVEK is delivered to Distributors. As of June 30, 2011, the Company has not received any product returns. For the second quarter of 2011, the Company was able to reasonably estimate product returns based on its specialty distribution model with sales to a limited number of Distributors, data provided to the Company by its Distributors (including weekly reporting of Distributor sales and inventory held by Distributors that provided the Company with visibility into the distribution channel in order to determine which products, if any, were eligible to be returned) and by other third parties, historical industry information regarding return rates for similar specialty pharmaceutical products, the estimated remaining shelf life of INCIVEK previously shipped and currently being shipped to Distributors, and contractual agreements with the Company's Distributors intended to limit the amount of inventory they maintain. Based on the Company's visibility into the distribution channel and prescription data through mid-July 2011, the Company believes that a high percentage of INCIVEK sold to Distributors in the second quarter of 2011 has been prescribed to patients.

Other Incentives: Other incentives that the Company offers to indirect customers include co-pay mitigation rebates provided by the Company to commercially insured patients who have coverage for INCIVEK and who reside in states that permit co-pay mitigation programs. The Company's co-pay mitigation program is intended to reduce each participating patient's portion of the financial responsibility for INCIVEK's purchase price to a specified dollar amount. Based upon the terms of the program and information regarding programs provided for similar specialty pharmaceutical products, the Company estimates the average co-pay mitigation amounts and the percentage of patients that it expects to participate in the program in order to establish its accruals for co-pay mitigation rebates and deducts these estimated amounts from its gross product revenues at the time the revenues are recognized.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

The following table summarizes activity in each of the above product revenue allowances and reserve categories for the three-month period from March 31, 2011 to June 30, 2011:

	Trade Allowances	Rebates, Chargebacks and Discounts	Product Returns	Other Incentives	Total
	(in thousands)				
Balance at March 31, 2011	\$ —	\$ —	\$ —	\$ —	\$ —
Provision related to second quarter of 2011 sales	2,782	3,744	76	1,416	8,018
Payments (credits)	(19)	—	—	—	(19)
Balance at June 30, 2011	<u>\$ 2,763</u>	<u>\$ 3,744</u>	<u>\$ 76</u>	<u>\$ 1,416</u>	<u>\$ 7,999</u>

Collaborative Revenues

Prior to the second quarter of 2011, the Company's revenues were generated primarily through collaborative research, development and/or commercialization agreements. The terms of these agreements typically include payment to the Company of one or more of the following: nonrefundable, up-front license fees; milestone payments; funding of research and/or development activities; payments for services the Company provides through its third-party manufacturing network; and royalties on product sales. Each of these types of payments results in collaborative revenues, except for revenues from royalties on product sales, which are classified as royalty revenues.

Agreements Entered into Prior to January 1, 2011

Collaborative research, development and/or commercialization agreements entered into prior to January 1, 2011 that contain multiple elements of revenue are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the collaborator and whether there is objective and reliable evidence of the fair value of the undelivered obligation(s). The Company allocates consideration it receives among the separate units either on the basis of each unit's fair value or using the residual method, and applies the applicable revenue recognition criteria to each of the separate units.

Up-front License Fees

The Company recognizes revenues from nonrefundable, up-front license fees on a straight-line basis over the contracted or estimated period of performance, which is typically the period over which the research and development is expected to occur or manufacturing services are expected to be provided. In order to estimate the period of performance, the Company is required to make estimates regarding the drug development and commercialization timelines for drug candidates being developed pursuant to the applicable agreement. The Company's estimates regarding the period of performance under certain of its collaboration agreements have changed in the past and may change in the future.

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****B. Accounting Policies (Continued)***Milestone Payments*

At the inception of each agreement that includes milestone payments, the Company evaluates whether each milestone is substantive on the basis of the contingent nature of the milestone, specifically reviewing factors such as the scientific and other risks that must be overcome to achieve the milestone, as well as the level of effort and investment required. The Company recognizes revenues related to substantive milestones in full in the period in which the substantive milestone is achieved, if payment is reasonably assured and the Company's performance obligations are fully satisfied or if the Company has fair value for its remaining obligations. If the Company has remaining obligations after the achievement of a substantive milestone and does not have sufficient evidence of the fair value of those obligations, the milestone payment is recognized over the period of performance. If a milestone is not considered substantive, the Company recognizes the applicable milestone payment over the remaining period of performance.

Research and Development Activities/Manufacturing Services

Under certain of its collaboration agreements, the Company is entitled to reimbursement from its collaborators for specified research and development expenses and/or payments for specified manufacturing services that the Company provides through its third-party manufacturing network. The Company considers the nature and contractual terms of the arrangement and the nature of the Company's business operations in order to determine whether research and development funding will result in collaborative revenues or an offset to research and development expenses. The Company typically recognizes the revenues related to these reimbursable expenses and manufacturing services in the period in which the reimbursable expenses are incurred or the manufacturing services are provided.

Agreements Entered into On or After January 1, 2011

On January 1, 2011, updated guidance on the recognition of revenues for agreements with multiple deliverables became effective and applies to any agreements entered into by the Company on or after January 1, 2011. This updated guidance (1) relates to whether multiple deliverables exist, how the deliverables in a revenue arrangement should be separated and how the consideration should be allocated; (2) requires companies to allocate revenues in an arrangement using estimated selling prices of deliverables if a vendor does not have vendor-specific objective evidence or third-party evidence of selling price; and (3) eliminates the use of the residual method and requires companies to allocate revenues using the relative selling price method. During the first half of 2011, the Company did not enter into any agreements that would be accounted for by the Company pursuant to this updated guidance. If the Company enters into an agreement with multiple deliverables after January 1, 2011, this updated guidance could have a material effect on the Company's financial statements.

Royalty Revenues

The Company typically recognizes royalty revenues based upon actual and estimated net sales of licensed products in licensed territories, as provided by the licensee, and generally recognizes royalty revenues in the period the sales occur. The Company reconciles and adjusts for differences between actual royalty revenues and estimated royalty revenues in the quarter they become known. These differences historically have not been significant.

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****B. Accounting Policies (Continued)**

The Company has sold its rights to receive certain royalties on sales of HIV protease inhibitors and recognizes the revenues related to this sale as royalty revenues. In the circumstance where the Company has sold its rights to future royalties under a license agreement and also maintains continuing involvement in the royalty arrangement (but not significant continuing involvement in the generation of the cash flows payable to the purchaser of the future royalty rights), the Company defers recognition of the proceeds it receives for the royalty stream and recognizes these deferred revenues over the life of the license agreement pursuant to the units-of-revenue method. Under this method, the amount of deferred revenues to be recognized as royalty revenues in each period is calculated by multiplying the following: (1) the royalty payments payable to the purchaser for the period by (2) the ratio of the remaining deferred revenue amount to the total estimated remaining royalty payments payable to the purchaser over the term of the agreement. The Company's estimates regarding the estimated remaining royalty payments due to the purchaser have changed in the past and may change in the future.

Business Combinations

The Company assigns the value of consideration, including contingent consideration, transferred in business combinations based on their fair values as of the effective date of the transaction. The Company accounts for the Alios Collaboration as a business combination due to the determinations that (i) Alios is a VIE, (ii) Alios is a business and (iii) the Company is Alios' primary beneficiary. Transaction costs and any restructuring costs associated with these transactions are expensed as incurred.

Fair Value of In-process Research and Development Assets and Contingent Payments in Business Combinations

The Company assesses the fair value of assets, including the fair value of in-process research and development assets, and contingent payments pursuant to collaborations accounted for as business combinations, from the perspective of a market participant, using a variety of methods. The present-value models used to estimate the fair values of research and development assets and contingent payments pursuant to collaborations incorporate significant assumptions, including: assumptions regarding the probability of obtaining marketing approval and/or achieving relevant development milestones for a drug candidate; estimates regarding the timing of and the expected costs to develop a drug candidate; estimates of future cash flows from potential product sales and/or the potential to achieve certain commercial milestones with respect to a drug candidate; and the appropriate discount rates.

In-process Research and Development Assets

In-process research and development assets relate to (i) the Company's acquisition of ViroChem in March 2009 and (ii) the Alios Collaboration, which the Company entered into in June 2011. The Company records the value of in-process research and development assets at their fair value as of the transaction date. These assets are accounted for as indefinite-lived intangible assets and maintained on the Company's condensed consolidated balance sheets until either the project underlying them is completed or the assets become impaired. If a project is completed, the carrying value of the related intangible asset is amortized as a part of cost of product revenues over the remaining estimated life of

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

the asset beginning in the period in which the project is completed. If a project becomes impaired or is abandoned, the carrying value of the related intangible asset is written down to its fair value and an impairment charge is taken in the period in which the impairment occurs. In-process research and development assets are tested for impairment on an annual basis as of October 1, and more frequently if indicators are present or changes in circumstances suggest that impairment may exist.

Goodwill

The difference between the purchase price and the fair value of assets acquired and liabilities assumed in a business combination, or deemed to be acquired or assumed in other business transactions treated as business combinations for accounting purposes, is allocated to goodwill. As of December 31, 2010, goodwill related to the Company's acquisition of ViroChem. As of June 30, 2011, goodwill consists of goodwill related to the Company's acquisition of ViroChem and the Company's collaboration with Alios. Goodwill is evaluated for impairment on an annual basis as of October 1, and more frequently if indicators are present or changes in circumstances suggest that impairment may exist.

Derivative Instruments and Embedded Derivatives

The Company has entered into financial transactions involving free-standing derivative instruments and embedded derivatives. These financial transactions include arrangements involving secured notes, the sale of potential future milestone payments and senior subordinated convertible notes. The embedded derivatives are required to be bifurcated from the host instruments because the derivatives are not clearly and closely related to the host instruments. The Company determines the fair value of each derivative instrument or embedded derivative on the date of issuance and at the end of each quarterly period. The estimates of the fair value of these derivatives, particularly with respect to derivatives related to the achievement of milestones in the development of telaprevir, include significant assumptions regarding the estimates market participants would make in order to evaluate these derivatives. Changes in the fair value of these derivatives are evaluated on a quarterly basis. Please refer to Note M, "September 2009 Financial Transactions," for further information.

Recent Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued amended guidance intended to increase the prominence of items reported in other comprehensive income. The guidance requires that all nonowner changes in shareholders' equity be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The guidance will be applied retrospectively beginning on January 1, 2012, for interim and annual reporting. These amendments will not have a material effect on the Company's condensed consolidated financial statements.

In May 2011, the FASB amended guidance regarding the measurement of the fair value of assets and liabilities to harmonize the fair value measurement guidance under GAAP and under the International Financial Reporting Standards (IFRSs). This amended guidance clarifies the FASB's intent about the application of existing fair value measurement requirements and changes a particular principle or requirement for measuring fair value or for disclosing information about fair value

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

B. Accounting Policies (Continued)

measurements. The amendments will be applied prospectively and will become applicable to the Company's financial statements beginning on January 1, 2012. The Company currently is evaluating the effect that these amendments will have on the Company's condensed consolidated financial statements.

For a discussion of recent accounting pronouncements in addition to those discussed above, please refer to Note B "Accounting Policies—Recent Accounting Pronouncements" in the Company's Annual Report on Form 10-K. The Company did not adopt any new accounting pronouncements during the six months ended June 30, 2011 that had a material impact on the Company's condensed consolidated financial statements.

C. Stock-based Compensation Expense

The Company issues stock options, restricted stock and restricted stock units with service conditions, which are generally the vesting periods of the awards. The Company also has issued, to certain members of senior management, restricted stock and restricted stock units that vest upon the earlier of the satisfaction of (i) a market or performance condition or (ii) a service condition, and stock options that vest upon the earlier of the satisfaction of (1) performance conditions or (2) a service condition. The Company also issues shares pursuant to an employee stock purchase plan ("ESPP").

The effect of stock-based compensation expense during the three and six months ended June 30, 2011 and 2010 was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Stock-based compensation expense by type of award:				
Stock options	\$ 23,903	\$ 17,735	\$ 43,527	\$ 31,203
Restricted stock and restricted stock units	6,835	5,743	13,665	10,490
ESPP share issuances	1,523	971	3,102	2,089
Less stock-based compensation expense capitalized to inventory	(382)	—	(536)	—
Total stock-based compensation expense included in net loss	<u>\$ 31,879</u>	<u>\$ 24,449</u>	<u>\$ 59,758</u>	<u>\$ 43,782</u>
Stock-based compensation expense by line item:				
Research and development expenses	\$ 20,453	\$ 17,735	\$ 39,002	\$ 32,055
Sales, general and administrative expenses	11,426	6,714	20,756	11,727
Total stock-based compensation expense included in net loss	<u>\$ 31,879</u>	<u>\$ 24,449</u>	<u>\$ 59,758</u>	<u>\$ 43,782</u>

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

C. Stock-based Compensation Expense (Continued)

The Company capitalized \$0.4 million and \$0.5 million, respectively, of stock-based compensation expense to inventory in the three and six months ended June 30, 2011, all of which is attributable to employees who support the Company's manufacturing operations related to INCIVEK.

The following table sets forth the Company's unrecognized stock-based compensation expense, net of estimated forfeitures, as of June 30, 2011 by type of award, and the weighted-average period over which that expense is expected to be recognized:

Type of award:	As of June 30, 2011	
	Unrecognized Expense, Net of Estimated Forfeitures (in thousands)	Weighted-average Recognition Period (in years)
Stock options	\$ 131,167	2.65
Restricted stock and restricted stock units	43,527	2.36
ESPP share issuances	2,522	0.56

The following table summarizes information about stock options outstanding and exercisable at June 30, 2011:

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	Number Outstanding (in thousands)	Weighted-average Remaining Contractual Life (in years)	Weighted-average Exercise Price (per share)	Number Exercisable (in thousands)	Weighted-average Exercise Price (per share)
\$ 8.68-\$20.00	3,050	3.61	\$ 15.54	2,839	\$ 15.30
\$20.01-\$30.00	1,862	5.11	27.81	1,734	27.85
\$30.01-\$40.00	15,063	7.74	35.69	7,110	35.04
\$40.01-\$50.00	277	8.56	45.28	54	43.31
\$50.01-\$57.27	337	9.88	54.52	164	53.81

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

D. Marketable Securities

A summary of the Company's cash, cash equivalents and marketable securities is shown below:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
June 30, 2011				
Cash and cash equivalents				
Cash and money market funds	\$ 422,289	\$ —	\$ —	\$ 422,289
Government-sponsored enterprise securities	35,905	1	—	35,906
Total cash and cash equivalents	\$ 458,194	\$ 1	\$ —	\$ 458,195
Marketable securities				
U.S. Treasury securities (due within 1 year)	\$ 9,546	\$ 1	\$ —	\$ 9,547
Government-sponsored enterprise securities (due within 1 year)	125,739	10	—	125,749
Total marketable securities	\$ 135,285	\$ 11	\$ —	\$ 135,296
Total cash, cash equivalents and marketable securities	\$ 593,479	\$ 12	\$ —	\$ 593,491
December 31, 2010				
Cash and cash equivalents				
Cash and money market funds	\$ 193,845	\$ —	\$ —	\$ 193,845
U.S. Treasury securities	4,770	—	—	4,770
Government-sponsored enterprise securities	44,587	1	(6)	44,582
Total cash and cash equivalents	\$ 243,202	\$ 1	\$ (6)	\$ 243,197
Marketable securities				
U.S. Treasury securities (due within 1 year)	\$ 103,230	\$ 1	\$ (11)	\$ 103,220
Government-sponsored enterprise securities (due within 1 year)	684,969	87	(62)	684,994
Total marketable securities	\$ 788,199	\$ 88	\$ (73)	\$ 788,214
Total cash, cash equivalents and marketable securities	\$1,031,401	\$ 89	\$ (79)	\$1,031,411

In the three months ended June 30, 2011 and 2010, the Company had proceeds of \$251.7 million and \$333.9 million, respectively, from sales and maturities of available-for-sale securities. In the six months ended June 30, 2011 and 2010, the Company had proceeds of \$788.0 million and \$518.1 million, respectively, from sales and maturities of available-for-sale securities.

Realized gains and losses are determined using the specific identification method and are included in interest income on the Company's condensed consolidated statements of operations. There were no gross realized gains and losses for the three and six months ended June 30, 2011 and 2010.

E. Fair Value of Financial Instruments

The fair value of the Company's financial assets and liabilities reflects the Company's estimate of amounts that it would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the Company's

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

E. Fair Value of Financial Instruments (Continued)

assumptions about how market participants would price assets and liabilities). The following fair value hierarchy is used to classify assets and liabilities based on the observable inputs and unobservable inputs used in order to value the assets and liabilities:

- Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices in active markets for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs based on the Company's assessment of the assumptions that market participants would use in pricing the asset or liability.

The Company's investment strategy is focused on capital preservation. The Company invests in instruments that meet credit quality standards as outlined in the Company's investment policy guidelines. These guidelines also limit the amount of credit exposure to any one issue or type of instrument. As of June 30, 2011, the Company's investments are in money market funds and short-term government guaranteed or supported securities.

As of June 30, 2011, all of the Company's financial assets that were subject to fair value measurements were valued using observable inputs. The Company's financial assets that were valued based on Level 1 inputs consist of a money market fund, U.S. Treasury securities and government-sponsored enterprise securities. The Company's money market fund also invests in government-sponsored enterprise securities. During the three and six months ended June 30, 2011 and 2010, the Company did not record an other-than-temporary impairment charge related to its financial assets. The Company's financial liabilities that were subject to fair value measurement related to the financial transactions that the Company entered into in September 2009 and are valued based on Level 3 inputs. Please refer to Note M, "September 2009 Financial Transactions," for further information. The Company's noncontrolling interests (Alios) include the fair value of the contingent milestone and royalty payments, which is valued based on Level 3 inputs. Please refer to Note K, "Collaborative Arrangements," for further information.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

E. Fair Value of Financial Instruments (Continued)

The following table sets forth the Company's financial assets and liabilities (excluding restricted cash and cash equivalents (Alios)) subject to fair value measurements as of June 30, 2011:

	Fair Value Measurements as of June 30, 2011			
	Total	Fair Value Hierarchy		
		Level 1	Level 2	Level 3
	(in thousands)			
Financial assets carried at fair value:				
Cash equivalents:				
Money market funds	\$ 373,003	\$ 373,003	\$ —	\$ —
Government-sponsored enterprise securities	35,906	35,906	—	—
Marketable securities:				
U.S. Treasury securities	9,547	9,547	—	—
Government-sponsored enterprise securities	125,749	125,749	—	—
Restricted cash	34,114	34,114	—	—
Total	\$ 578,319	\$ 578,319	\$ —	\$ —
Financial liabilities carried at fair value:				
Embedded derivative related to 2012 Notes	\$ 4,973	\$ —	\$ —	\$ 4,973
Liability related to sale of potential future milestone payments	87,131	—	—	87,131
Total	\$ 92,104	\$ —	\$ —	\$ 92,104

The following table is a reconciliation of financial liabilities measured at fair value using significant unobservable inputs (Level 3):

	Six Months Ended June 30, 2011 (in thousands)
Balance, December 31, 2010	\$ 89,888
Change in fair value of derivative instruments	7,818
Redemption of a portion of the 2012 Notes	(5,602)
Balance, June 30, 2011	<u>\$ 92,104</u>

As of June 30, 2011, the Company had \$400.0 million in aggregate principal amount of 3.35% convertible senior subordinated notes due 2015 (the "2015 Notes") on its condensed consolidated balance sheet. As of June 30, 2011, these 2015 Notes had a fair value of approximately \$501 million as obtained from a quoted market source.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

F. Comprehensive Loss

For the three and six months ended June 30, 2011 and 2010, the components of comprehensive loss were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Net loss	\$ (199,318)	\$ (200,006)	\$ (375,414)	\$ (365,277)
Changes in other comprehensive income (loss):				
Unrealized holding gains (losses) on marketable securities	(68)	40	1	168
Foreign currency translation adjustment	(6)	482	359	(86)
Total change in other comprehensive income (loss)	(74)	522	360	82
Comprehensive loss	\$ (199,392)	\$ (199,484)	\$ (375,054)	\$ (365,195)
Comprehensive loss attributable to noncontrolling interest (Alios)	(25,249)	—	(25,249)	—
Comprehensive loss attributable to Vertex	\$ (174,143)	\$ (199,484)	\$ (349,805)	\$ (365,195)

G. Income Taxes

For the three and six months ended June 30, 2011, in connection with the Alios financial statement consolidation, the Company recorded a provision for income taxes (Alios) of \$24.4 million related to the estimated income tax effect on Alios of Vertex's \$60.0 million up-front payment to Alios. Vertex has no liability for taxes payable by Alios and the income tax provision and related liability have been allocated to noncontrolling interest (Alios).

At June 30, 2011 and December 31, 2010, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. The Company did not recognize any material interest or penalties related to uncertain tax positions at June 30, 2011 and December 31, 2010.

The Company files United States federal income tax returns and income tax returns in various state, local and foreign jurisdictions. The Company is no longer subject to any tax assessment from an income tax examination in the United States before 2007 and any other major taxing jurisdiction for years before 2005, except where the Company has net operating losses or tax credit carryforwards that originate before 2005. The Company is currently under examination by Revenue Quebec for the year ended March 11, 2009 and the year ended December 31, 2007. No adjustments have been reported. The Company is not under examination by any other jurisdictions for any tax year.

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****H. Inventories**

All of the Company's inventories relate to INCIVEK. The following table sets forth the Company's inventories as of June 30, 2011 and December 31, 2010:

	<u>June 30,</u> <u>2011</u>	<u>December 31,</u> <u>2010</u>
	(in thousands)	
Raw materials	\$ 21,774	\$ —
Work in process	29,265	—
Finished goods	1,583	—
Total	<u>\$ 52,622</u>	<u>\$ —</u>

On January 1, 2011, the Company began capitalizing inventory costs for INCIVEK manufactured in preparation for the product launch in the United States based on its evaluation of, among other factors, information regarding INCIVEK's safety and efficacy and the status of the INCIVEK NDA. The FDA completed its review and approved INCIVEK on May 23, 2011. In periods prior to January 1, 2011, the Company expensed costs associated with INCIVEK raw materials, work in process and finished goods as development expenses. As of June 30, 2011, the Company has not capitalized inventory costs related to its other drug development programs.

I. Restructuring Expense

In June 2003, Vertex adopted a plan to restructure its operations to coincide with its increasing internal emphasis on advancing drug candidates through clinical development to commercialization. The restructuring was designed to re-balance the Company's relative investments in research and development to better support the Company's long-term strategy. At that time, the restructuring plan included a workforce reduction, write-offs of certain assets and a decision not to occupy approximately 290,000 square feet of specialized laboratory and office space in Cambridge, Massachusetts under lease to Vertex (the "Kendall Square Lease"). The Kendall Square Lease commenced in January 2003 and has a 15-year term. In the second quarter of 2005, the Company revised its assessment of its real estate requirements and decided to use approximately 120,000 square feet of the facility subject to the Kendall Square Lease (the "Kendall Square Facility") for its operations, beginning in 2006. The remaining rentable square footage of the Kendall Square Facility currently is subleased to third parties.

The restructuring expense incurred in the three and six months ended June 30, 2011 and 2010 relates only to the portion of the Kendall Square Facility that the Company is not occupying and does not intend to occupy for its operations. The remaining lease obligations, which are associated with the portion of the Kendall Square Facility that the Company occupies and uses for its operations, are recorded as rental expense in the period incurred.

In estimating the expense and liability under its Kendall Square Lease obligation, the Company estimated (i) the costs to be incurred to satisfy rental and build-out commitments under the lease (including operating costs), (ii) the lead-time necessary to sublease the space, (iii) the projected sublease rental rates and (iv) the anticipated durations of subleases. The Company uses a credit-adjusted risk-free rate of approximately 10% to discount the estimated cash flows. The Company reviews its estimates and assumptions on at least a quarterly basis, and intends to continue such reviews

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

I. Restructuring Expense (Continued)

until the termination of the Kendall Square Lease, and will make whatever modifications the Company believes necessary, based on the Company's best judgment, to reflect any changed circumstances. The Company's estimates have changed in the past, and may change in the future, resulting in additional adjustments to the estimate of the liability. Changes to the Company's estimate of the liability are recorded as additional restructuring expense/(credit). In addition, because the Company's estimate of the liability includes the application of a discount rate to reflect the time-value of money, the Company will record imputed interest costs related to the liability each quarter. These costs are included in restructuring expense on the Company's condensed consolidated statements of operations.

For the three and six months ended June 30, 2011, the restructuring expense recorded by the Company was the result of the imputed interest cost relating to the restructuring liability. For the three months ended June 30, 2010, the restructuring expense was partially due to revisions of key estimates and assumptions related to the exercise by a sublessee of an option to continue subleasing a portion of the Kendall Square Facility through 2015 and changes to certain assumptions for the period from 2015 to 2018, and partially the result of the imputed interest cost relating to the restructuring liability. For the six months ended June 30, 2010, the restructuring expense was primarily the result of the imputed interest cost relating to the restructuring liability and partially the result of revisions to key estimates and assumptions in the second quarter of 2010.

The activities related to the restructuring liability for the three and six months ended June 30, 2011 and 2010 were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Liability, beginning of the period	\$ 28,814	\$ 33,333	\$ 29,595	\$ 34,017
Cash payments	(3,737)	(3,754)	(7,473)	(7,415)
Cash received from subleases	2,387	2,233	4,582	4,430
Additional charge	741	2,112	1,501	2,892
Liability, end of the period	<u>\$ 28,205</u>	<u>\$ 33,924</u>	<u>\$ 28,205</u>	<u>\$ 33,924</u>

J. Convertible Senior Subordinated Notes due 2015

On September 28, 2010, the Company completed an offering of \$400.0 million in aggregate principal amount of 3.35% convertible senior subordinated notes due 2015. The Company received net proceeds of \$391.6 million from this offering. The Company recorded the underwriting discount of \$8.0 million and other expenses of \$0.4 million related to this offering as debt issuance costs and includes them in other assets on the Company's condensed consolidated balance sheets. The 2015 Notes were issued pursuant to and are governed by the terms of an indenture (as supplemented, the "Indenture").

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

J. Convertible Senior Subordinated Notes due 2015 (Continued)

The 2015 Notes are convertible at any time, at the option of the holder, into common stock at a price equal to approximately \$48.83 per share, or 20.4794 shares of common stock per \$1,000 principal amount of the 2015 Notes, subject to adjustment. The 2015 Notes bear interest at the rate of 3.35% per annum, and the Company is required to make semi-annual interest payments on the outstanding principal balance of the 2015 Notes on April 1 and October 1 of each year. The 2015 Notes mature on October 1, 2015.

Prior to October 1, 2013, if the closing price of the Company's common stock has exceeded 130% of the then applicable conversion price for at least 20 trading days within a period of 30 consecutive trading days, the Company may redeem the 2015 Notes at its option, in whole or in part, at a redemption price equal to 100% of the principal amount of the 2015 Notes to be redeemed. If the Company elects to redeem the 2015 Notes prior to October 1, 2013, or the holder elects to convert the 2015 Notes after receiving notice of such redemption, the Company will be obligated to make an additional payment, payable in cash or, subject to certain conditions, shares of the Company's common stock, so that the Company's total interest payments on the 2015 Notes being redeemed and such additional payment shall equal three years of interest. On or after October 1, 2013, the Company may redeem the 2015 Notes at its option, in whole or in part, at the redemption prices stated in the Indenture plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Holders may require the Company to repurchase some or all of their 2015 Notes upon the occurrence of certain fundamental changes of Vertex, as set forth in the Indenture, at 100% of the principal amount of the 2015 Notes to be repurchased, plus any accrued and unpaid interest, if any, to, but excluding, the repurchase date.

If a fundamental change occurs that is also a specific type of change of control under the Indenture, the Company will pay a make-whole premium upon the conversion of the 2015 Notes in connection with any such transaction by increasing the applicable conversion rate on such 2015 Notes. The make-whole premium will be in addition to, and not in substitution for, any cash, securities or other assets otherwise due to holders of the 2015 Notes upon conversion. The make-whole premium will be determined by reference to the Indenture and is based on the date on which the fundamental change becomes effective and the price paid, or deemed to be paid, per share of the Company's common stock in the transaction constituting the fundamental change, subject to adjustment.

Based on the Company's evaluation of the 2015 Notes, the Company determined that the 2015 Notes contain a single embedded derivative. This embedded derivative relates to potential penalty interest payments that could be imposed on the Company for a failure to comply with its securities reporting obligations pursuant to the 2015 Notes. This embedded derivative required bifurcation because it was not clearly and closely related to the host instrument. The Company has determined that the value of this embedded derivative was nominal as of September 28, 2010, December 31, 2010 and June 30, 2011.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

K. Collaborative Arrangements

Janssen Pharmaceutica, N.V.

In June 2006, the Company entered into a collaboration agreement with Janssen Pharmaceutica, N.V. ("Janssen") for the development, manufacture and commercialization of telaprevir, which Janssen expects to market under the brand name INCIVO™. Under the agreement, Janssen has agreed to be responsible for 50% of the drug development costs incurred under the development program for the parties' territories (North America for the Company, and the rest of the world, other than the Far East, for Janssen) and has exclusive rights to commercialize INCIVO in its territories, including Europe, South America, the Middle East, Africa and Australia.

Janssen made a \$165.0 million up-front license payment to the Company in July 2006. The up-front license payment is being amortized over the Company's estimated period of performance under the collaboration agreement. The Company's estimates regarding the period of performance under the Janssen collaboration agreement were adjusted in 2007, 2009 and 2010 as a result of changes in the global development plan for telaprevir, which contemplates the conduct of certain development activities in the post-approval period. These adjustments were made on a prospective basis beginning in the periods in which the changes were identified and resulted in a decrease in the amount of revenues the Company recognized from the Janssen agreement by \$2.6 million per quarter for the first adjustment, by \$1.1 million per quarter for the second adjustment and by \$1.4 million per quarter for the third adjustment. As of June 30, 2011, there was \$62.1 million in deferred revenues related to this up-front license payment that the Company expects to recognize over the remaining estimated period of performance.

Under the agreement, Janssen agreed to make contingent milestone payments for successful development, approval and launch of INCIVO as a product in its territories. At the inception of the agreement, the Company determined that all of these contingent milestones were substantive and would result in revenues in the period in which the milestone was achieved. As of June 30, 2011, the Company had earned \$150.0 million of these contingent milestone payments, including a \$50.0 million milestone payment that was earned in the first quarter of 2011 in connection with the European Medicines Agency's ("EMA") acceptance of the marketing authorization application ("MAA") for INCIVO. The remaining \$200.0 million in contingent milestones that the Company could achieve under the Janssen agreement consist of \$50.0 million related to the approval of INCIVO by the European Commission upon recommendation from the EMA, and \$150.0 million related to the launch of INCIVO in the European Union. On September 30, 2009, the Company entered into two financial transactions related to \$250.0 million in contingent Janssen milestones, including the \$50.0 million milestone payment that was earned and paid in the first quarter of 2011. Please refer to Note M, "September 2009 Financial Transactions," for further information.

Under the collaboration agreement for telaprevir, each party incurs internal and external reimbursable expenses related to the telaprevir development program and is reimbursed for 50% of these expenses. The Company recognizes the full amount of the reimbursable costs it incurs as research and development expenses on its condensed consolidated statements of operations. The Company recognizes amounts that Janssen is obligated to pay the Company with respect to reimbursable expenses net of reimbursable expenses incurred by Janssen as collaborative revenues. During the three and six months ended June 30, 2011, Janssen incurred more reimbursable costs than the Company for the first time under the collaboration agreement, and the net amounts payable by the Company to

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

K. Collaborative Arrangements (Continued)

reimburse Janssen for expenses for the three and six months ended June 30, 2011 were recorded as a reduction of collaborative revenues.

Each of the parties is responsible for drug supply in its respective territories. The Company provides Janssen certain services through the Company's third-party manufacturing network for telaprevir. Reimbursements from Janssen for manufacturing services are recorded as collaborative revenues.

The collaboration agreement with Janssen also provides the Company with royalties on any sales of telaprevir in the Janssen territories, with a tiered royalty averaging in the mid-20% range, as a percentage of net sales in the Janssen territories. In addition, Janssen will be responsible for certain third-party royalties on net sales in its territories. Janssen may terminate the agreement (A) prior to the receipt of marketing approval for telaprevir, without cause at any time upon six months' notice to the Company, or (B) if marketing approval has been obtained, upon the later of (i) one year's advance notice and (ii) such period as may be required to assign and transfer to the Company specified filings and approvals. The agreement also may be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the agreement will continue in effect until the expiration of Janssen's royalty obligations, which expire on a country-by-country basis with the last-to-expire patent covering telaprevir. In the European Union, the Company has a patent covering the composition-of-matter of telaprevir that expires in 2021 and expects to obtain extensions to the term of this patent through 2026.

During the three and six months ended June 30, 2011 and 2010, the Company recognized the following collaborative revenues attributable to the Janssen collaboration:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Amortized portion of up-front payment	\$ 3,107	\$ 3,107	\$ 6,214	\$ 6,214
Milestone revenues	—	—	50,000	—
Net reimbursement (payment) for telaprevir development costs	(3,108)	3,501	(4,253)	5,907
Reimbursement for manufacturing services	9,059	5,274	13,213	6,225
Total collaborative revenues attributable to the Janssen collaboration	<u>\$ 9,058</u>	<u>\$ 11,882</u>	<u>\$ 65,174</u>	<u>\$ 18,346</u>

Mitsubishi Tanabe Pharma Corporation

In June 2004, the Company entered into a collaboration agreement (the "MTPC Agreement") with Mitsubishi Tanabe Pharma Corporation ("Mitsubishi Tanabe"), pursuant to which Mitsubishi Tanabe agreed to provide financial and other support for the development and commercialization of telaprevir. Under the terms of the agreement, Mitsubishi Tanabe has the right to develop and commercialize telaprevir in Japan and certain other Far East countries. The MTPC Agreement provided for payments by Mitsubishi Tanabe to the Company through Phase 2 clinical development, including an up-front license fee, development-stage milestone payments and reimbursement of certain drug development costs for telaprevir.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

K. Collaborative Arrangements (Continued)

In July 2009, the Company and Mitsubishi Tanabe amended the MTPC Agreement. Under the amended agreement, Mitsubishi Tanabe paid the Company \$105.0 million, and the Company may receive a further contingent milestone payment ranging from between \$15.0 million to \$65.0 million. The amended agreement provides to Mitsubishi Tanabe a fully-paid license to manufacture and commercialize telaprevir to treat HCV infection in Japan and specified other countries in the Far East. Mitsubishi Tanabe is responsible for its own development and manufacturing costs in its territory. Mitsubishi Tanabe may terminate the agreement at any time without cause upon 60 days' prior written notice to the Company. The agreement also may be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the agreement will continue in effect until the expiration of the last-to-expire patent covering telaprevir. In Japan, the Company has a patent covering the composition-of-matter of telaprevir that expires in 2021.

Prior to the MTPC Agreement amendment, the Company recognized revenues based on an amortized portion of the 2004 up-front payment, milestones, if any, and reimbursement of certain of the Company's expenses incurred in telaprevir development. The \$105.0 million payment that the Company received in the third quarter of 2009 pursuant to the amended agreement is a nonrefundable, up-front license fee and revenues related to this payment are being recognized on a straight-line basis over the expected period of performance of the Company's obligations under the amended agreement. As of June 30, 2011, there was \$31.9 million in deferred revenues related to this up-front license payment that will be recognized over the remaining period of performance of the Company's obligations under the amended agreement. In connection with the amendment to the MTPC Agreement, the Company agreed to supply manufacturing services to Mitsubishi Tanabe through the Company's third-party manufacturing network for telaprevir.

During the three and six months ended June 30, 2011 and 2010, the Company recognized the following collaborative revenues attributable to the Mitsubishi Tanabe collaboration:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Amortized portion of up-front payments	\$ 9,558	\$ 9,558	\$ 19,116	\$ 19,116
Development milestone revenues	182	—	1,394	—
Payments for manufacturing services	5,133	2,478	5,848	2,478
Total collaborative revenues attributable to the Mitsubishi Tanabe collaboration	<u>\$ 14,873</u>	<u>\$ 12,036</u>	<u>\$ 26,358</u>	<u>\$ 21,594</u>

Cystic Fibrosis Foundation Therapeutics Incorporated

On April 4, 2011, the Company entered into an amendment (the "April 2011 Amendment") to its existing collaboration agreement with Cystic Fibrosis Foundation Therapeutics Incorporated ("CFFT") pursuant to which CFFT will provide financial support for (i) development activities for VX-661, a corrector compound discovered under the collaboration, and (ii) additional research and development activities directed at discovering new corrector compounds.

The Company entered into the original collaboration agreement with CFFT in 2004 and entered into two amendments to the collaboration agreement in 2006 to provide partial funding for its cystic

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****K. Collaborative Arrangements (Continued)**

fibrosis drug discovery and development efforts through early 2008. In 2006, the Company received a \$1.5 million milestone payment from CFFT. Under the April 2011 Amendment, CFFT agreed to provide the Company with up to \$75.0 million in funding over approximately five years for corrector-compound research and development activities. There are no additional milestones payable by CFFT to the Company pursuant to the collaboration agreement, as amended. The Company retains the rights to develop and commercialize VX-770, VX-809, VX-661 and any other compounds discovered during the course of the research collaboration with CFFT. In the second quarter of 2011, the Company recognized \$5.9 million in collaborative revenues pursuant to this collaboration.

In the original agreement, as amended prior to the April 2011 Amendment, the Company agreed to pay CFFT tiered royalties calculated as a percentage, ranging from single digits to sub-teens, of annual net sales of any approved drugs discovered during the research term that ended in 2008, including VX-770, VX-809 and VX-661. The April 2011 Amendment provides for a tiered royalty in the same range on net sales of corrector compounds discovered during the research term that began in 2011. The Company also is obligated to make two one-time commercial milestone payments upon achievement of certain sales levels for a potentiator compound such as VX-770 and two one-time commercial milestone payments upon achievement of certain sales levels for a corrector compound such as VX-809 or VX-661.

For each compound commercialized under this collaboration, the Company will have royalty obligations to CFFT until the expiration of patents covering that compound. For VX-770, for which the Company completed its registration program in the first half of 2011, the Company has patents in the United States and European Union covering the composition of matter of VX-770 that expire in 2025, subject to potential patent life extensions. CFFT may terminate its funding obligations under the April 2011 Amendment in certain circumstances, in which case there will be a proportional adjustment to the royalty rates and commercial milestones for certain corrector compounds. The collaboration also may be terminated by either party for a material breach by the other, subject to notice and cure provisions.

Alios BioPharma, Inc.

License and Collaboration Agreement

On June 13, 2011, the Company and its wholly-owned subsidiary, Vertex Pharmaceuticals (Switzerland) LLC, entered into a license and collaboration agreement (the "Alios Agreement") with Alios, a privately-held biotechnology company located in California. The Company and Alios have agreed to collaborate on the research, development and commercialization of two nucleotide analogue compounds discovered by Alios, ALS-2200 and ALS-2158, which are designed to act on the hepatitis C polymerase. As of June 13, 2011, these two nucleotide analogues were being evaluated in nonclinical studies and had not begun Phase 1 clinical development. The Company is responsible for all costs related to development and commercialization of the compounds incurred after the effective date of the Alios Agreement, and manufacturing costs for the supply of ALS-2200 and ALS-2158 used after the effective date, and will provide funding to Alios to conduct the Phase 1 clinical trials for ALS-2200 and ALS-2158 and a research program directed to the discovery of additional HCV nucleotide analogues that act on the hepatitis C polymerase.

Under the terms of the Alios Agreement, the Company received exclusive worldwide rights to ALS-2200 and ALS-2158, and has the option to select additional compounds discovered in the research program. The Company paid Alios a \$60.0 million up-front payment, and Alios is eligible to receive

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

K. Collaborative Arrangements (Continued)

research and development milestone payments of up to \$715.0 million if two compounds are approved and commercialized. Alios is also eligible to receive commercial milestone payments of up to \$750.0 million, as well as tiered royalties on net sales of approved drugs.

The Company may terminate the Alios Agreement (A) upon 30 days' notice to Alios if the Company ceases development after both ALS-2200 and ALS-2158 have experienced a technical failure and/or (B) upon 60 days' notice to Alios at any time after the Company completes specified Phase 2a clinical trials. The Alios Agreement also may be terminated by either party for a material breach by the other, subject to notice and cure provisions. Unless earlier terminated, the Alios agreement will continue in effect until the expiration of the Company's royalty obligations, which expire on a country-by-country basis on the later of (i) the date the last-to-expire patent covering a licensed product expires or (ii) ten years after the first commercial sale in the country.

Alios is continuing to operate as a separate entity, is engaged in other programs directed at developing novel drugs that are not covered by the Alios Agreement, and maintains ownership of the underlying patent rights that are licensed to the Company pursuant to the Alios Agreement. Under applicable accounting guidance, the Company has determined that Alios is a VIE, that Alios is a business and that the Company is Alios' primary beneficiary. The Company based these determinations on, among other factors, the significance to Alios of the two licensed compounds and on the Company's power, through the joint steering committee for the licensed compounds established under the Alios Agreement, to direct the activities that most significantly impact the economic performance of Alios.

Accordingly, the Company has consolidated Alios' statements of operations and financial condition with the Company's condensed consolidated financial statements beginning on June 13, 2011. However, the Company's interests in Alios are limited to those accorded to the Company in the Alios Agreement. In particular, the Company did not acquire any equity interest in Alios, any interest in Alios' cash and cash equivalents or any control over Alios' activities that do not relate to the Alios Collaboration.

The initial consolidation of a VIE that is determined to be a business is accounted for as a business combination. As a result, as of June 13, 2011 the Company recorded all of Alios' assets and liabilities at fair value, which are preliminary at June 30, 2011, on the Company's condensed consolidated balance sheet. After the initial consolidation, the Company will continue to consolidate Alios' financial statements, (A) eliminating all intercompany balances and transactions and (B) allocating loss (gain) attributable to the noncontrolling interest in Alios to net loss (gain) attributable to noncontrolling interest (Alios) in the Company's condensed consolidated statement of operations and reflecting noncontrolling interests (Alios) on the Company's condensed consolidated balance sheet.

Consideration for the Alios Collaboration

The consideration from the Company to Alios pursuant to the Alios Agreement consisted of (i) a \$60.0 million up-front payment paid by the Company to Alios, (ii) the estimated fair value of the contingent research, development and commercialization milestones potentially payable by the Company to Alios and (iii) the estimated fair value of potential royalty payments payable by the Company to Alios. The Company used present-value models to determine the estimated fair values of the contingent milestone and royalty consideration, based on assumptions regarding the probability of

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****K. Collaborative Arrangements (Continued)**

achieving the relevant milestones, estimates regarding the timing to develop the drug candidate(s), estimates of future cash flows from potential product sales and assumptions regarding the appropriate discount rates. The Company valued the contingent milestone and royalty payments using (i) discount rates ranging from 3.6% to 6.5% for the development milestones and (ii) a discount rate of 9.4% for commercial milestones and royalties. The consideration paid and the preliminary fair value of the contingent milestone and royalty payments payable by the Company pursuant to the Alios Agreement are set forth in the table below:

	<u>As of June 13,</u> <u>2011</u> <u>(in thousands)</u>
Up-front payment	\$ 60,000
Fair value of contingent milestone and royalty payments	197,720
Total	<u>\$ 257,720</u>

Preliminary Allocation of Assets and Liabilities

For the purposes of the condensed consolidated balance sheets at June 13, 2011 and June 30, 2011, the Company has made preliminary allocations of the total consideration, which is comprised of the up-front payment and the fair value of the contingent milestone and royalty payments for the Alios Collaboration, to intangible assets, goodwill, deferred tax liability, net and net other assets and liabilities. These allocations are preliminary and the Company is in the process of completing its valuations of the in-process research and development assets and the contingent milestone and royalty payments. In order to finalize the allocations, the Company will collect and analyze appropriate additional information with respect to Alios' research programs, including those not subject to the Alios Agreement, and the expected tax effect of the up-front payment made by Vertex to Alios. The Company expects to complete its valuations in the quarter ending September 30, 2011.

The Company recorded \$250.6 million of intangible assets on the Company's condensed consolidated balance sheet for Alios' in-process research and development assets. These in-process research and development assets relate to Alios' nucleotide analogue program, including the intellectual property related to ALS-2200 and ALS-2158. The Company used a 9.5% discount rate in the present-value models used for the preliminary estimation of the fair value of the in-process research and development assets. The Company also conducted a preliminary evaluation of Alios' other programs and determined that market participants would not have ascribed value to those assets because Alios had not yet identified drug candidates for clinical development, and because of the uncertainties related to identifying compounds suitable for clinical development and the potential clinical development of these compounds. The difference between the preliminary fair value of the consideration and the fair value of Alios' assets, including the preliminary fair value of intangible assets, and liabilities was allocated to goodwill. This goodwill relates to the potential synergies from the possible development of combination therapies involving the acquired drug candidates and telaprevir and/or VX-222. None of the goodwill is expected to be deductible for income tax purposes.

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****K. Collaborative Arrangements (Continued)**

The following table summarizes the fair values of the assets and liabilities recorded on the effective date of the Alios Collaboration:

	Preliminary Fair Values as of June 13, 2011
	(in thousands)
Intangible assets	\$ 250,600
Goodwill	7,399
Deferred tax liability (net)	(90,840)
Net other assets (liabilities)	(279)
Net assets attributable to noncontrolling interests (Alios)	<u>\$ 166,880</u>

If the Company is successful in developing an Alios HCV nucleotide analogue, it will amortize as part of cost of product revenues the carrying value of the related in-process research and development asset over the remaining estimated life of the asset, beginning in the period in which the project is completed. If the Company determines that an in-process research and development asset has become impaired or abandons development of the Alios HCV nucleotide analogues, it will write-down the carrying value of the related intangible asset to its fair value and will take an impairment charge in the period in which the impairment occurs.

The Alios intangible assets and goodwill will be tested for impairment on an annual basis as of October 1, and more frequently, if indicators are present or changes in circumstance suggest that impairment may exist. In connection with each annual impairment assessment and any interim impairment assessment, the Company will compare the fair value of the asset as of the date of the assessment with the carrying value of the asset on the Company's condensed consolidated balance sheet.

Noncontrolling Interest (Alios)

The Company recorded noncontrolling interest (Alios) on two lines in its condensed consolidated balance sheet beginning as of the effective date of the collaboration. The noncontrolling interest (Alios) is reflected on two separate lines because Alios has both common shareholders and preferred shareholders that are entitled to redemption rights in certain circumstances. The aggregate fair value of the noncontrolling interest on June 13, 2011 was equal to the up-front payment and the preliminary fair value of the contingent payments under the Alios Collaboration less other liabilities including the deferred tax liability, net.

The Company records a net loss (gain) attributable to noncontrolling interest (Alios) on its condensed consolidated statements of operations. The net loss (gain) attributable to noncontrolling interest (Alios) reflects Alios' net (loss) income for the reporting period, adjusted for changes in the fair value of the contingent milestone and royalty payments, which will be evaluated each reporting period. Increases in the fair value of the contingent milestone and royalty payments could result in net gains attributable to the noncontrolling interest (Alios), which would increase net loss attributable to Vertex. If the Company were profitable during the reporting period, a net gain attributable to the noncontrolling interest (Alios) would result in a decrease in net income attributable to Vertex.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

K. Collaborative Arrangements (Continued)

Activity Related to the Alios Collaboration

A summary of net loss attributable to noncontrolling interest (Alios) for the second quarter of 2011 is as follows:

	Three Months Ended June 30, 2011
	(in thousands)
Loss of noncontrolling interest (Alios) before provision for income taxes	\$ (801)
Income tax provision (Alios)	(24,448)
Change in fair value of contingent milestone and royalty payments	—
Net loss attributable to noncontrolling interest (Alios)	<u>\$ (25,249)</u>

Alios Financial Information

The following summarizes items related to Alios included in the Company's condensed consolidated balance sheets as of June 13, 2011 and June 30, 2011:

	As of June 13, 2011	As of June 30, 2011
	(in thousands)	
Restricted cash and cash equivalents (Alios)	\$ 4,575	\$ 63,098
Prepaid expenses and other current assets	69	120
Property and equipment, net	885	1,012
Intangible assets	250,600	250,600
Goodwill	7,399	7,399
Other assets	76	76
Accounts payable	1,189	2,038
Accrued expenses and other current liabilities	1,504	967
Income taxes payable (Alios)	—	15,212
Deferred tax liability, net	90,840	100,076
Other liabilities	3,191	3,188
Redeemable noncontrolling interest (Alios)	36,299	36,299
Noncontrolling interest (Alios)	130,581	105,332

The Company has recorded Alios' cash and cash equivalents as restricted cash and cash equivalents (Alios) because (i) the Company does not have any interest in or control over Alios' cash and cash equivalents and (ii) the Alios Agreement does not provide for these assets to be used for the development of the assets that the Company licensed from Alios pursuant to the collaboration. Assets recorded as a result of consolidating Alios' financial condition into the Company's balance sheet do not represent additional assets that could be used to satisfy claims against the Company's general assets.

The results of operations of Alios have been included in the Company's condensed consolidated financial statements since the transaction date. Alios' revenues have been eliminated as part of the consolidation in the period from June 13, 2011 to June 30, 2011, and Alios' net loss in the period from June 13, 2011 to June 30, 2011 was immaterial to the Company's condensed consolidated financial results except for the provision for income taxes (Alios) that is recorded on the Company's condensed consolidated statements of operations. Pro forma results of operations for the three and six months ended June 30, 2011 and 2010 assuming the transaction had taken place at the beginning of each period would not differ significantly from Vertex's actual reported results.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

L. Acquisition of ViroChem Pharma Inc.

On March 12, 2009, the Company acquired 100% of the outstanding equity of ViroChem Pharma Inc. ("ViroChem"), a privately-held biotechnology company based in Canada, for \$100.0 million in cash and 10,733,527 shares of the Company's common stock. Vertex acquired ViroChem in order to add two clinical-development stage HCV polymerase inhibitors to Vertex's HCV drug development portfolio. The Company accounted for the transaction under the acquisition method of accounting. The Company recognized all of the assets acquired and liabilities assumed in the transaction at their acquisition-date fair values and expensed as incurred all transaction costs and restructuring costs associated with the transaction. The intangible assets and goodwill related to the ViroChem acquisition are tested for impairment on an annual basis as of October 1, and more frequently if indicators are present or changes in circumstance suggest that impairment may exist.

All of the intangible assets acquired in the ViroChem acquisition related to in-process research and development assets. The in-process research and development assets primarily relate to ViroChem's two clinical-development stage HCV polymerase inhibitors, VX-222 and VX-759. As of June 30, 2011 and December 31, 2010, VX-222 and VX-759 account for \$518.7 million of the intangible assets reflected on the Company's condensed consolidated balance sheets with values of \$412.9 million and \$105.8 million, respectively. The Company's condensed consolidated balance sheets also reflect goodwill that relates to the potential synergies from the possible development of combination therapies involving telaprevir and the acquired drug candidates. No impairment has been found for VX-222 or VX-759 or goodwill since the acquisition date.

A deferred tax liability of \$160.3 million recorded as of June 30, 2011 and December 31, 2010 primarily relates to the tax impact of future amortization or impairments associated with the identified intangible assets acquired from ViroChem, which are not deductible for tax purposes.

M. September 2009 Financial Transactions

2012 Notes

In September 2009, the Company sold \$155.0 million in aggregate of secured notes due 2012 (the "2012 Notes") for an aggregate of \$122.2 million pursuant to a note purchase agreement with Olmsted Park S.A. (the "Purchaser"). The 2012 Notes were issued pursuant to, and the 2012 Notes are governed by the terms of, an indenture entered into on September 30, 2009 between the Company and U.S. Bank National Association, as trustee and collateral agent. In connection with the issuance of the 2012 Notes, the Company granted a security interest to the Purchaser with respect to \$155.0 million of potential INCIVO milestone payments that the Company was eligible to earn from Janssen for the filing, approval and launch of INCIVO in the European Union.

The 2012 Notes were issued at a discount and do not pay current interest prior to maturity. The 2012 Notes mature on October 31, 2012, subject to earlier mandatory redemption to the extent specified milestone events set forth in the Company's collaboration with Janssen occur prior to October 31, 2012. In February 2011, the Company received a milestone payment of \$50.0 million earned upon the acceptance of Janssen's MAA for INCIVO by the EMA and subsequently redeemed \$50.0 million of 2012 Notes pursuant to their terms.

As of June 30, 2011, the remaining outstanding aggregate amount of 2012 Notes was \$105.0 million. Of the milestone payments that would result in redemption of the outstanding 2012

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

M. September 2009 Financial Transactions (Continued)

Notes, \$50.0 million relate to the approval of INCIVO by the European Commission upon the recommendation of the EMA and \$55.0 million relate to the launch of INCIVO in the European Union.

The holders of the 2012 Notes have the right to cause the Company to repay all or any part of the outstanding 2012 Notes at 100% of the face amount of the 2012 Notes to be repurchased if a change of control of the Company occurs. The Company may also redeem all or any part of the outstanding 2012 Notes at any time at 100% of the face amount of the 2012 Notes to be redeemed. Upon certain events of default occurring and continuing, either the trustee or the holders of not less than 25% of the 2012 Notes then outstanding may declare the 2012 Notes immediately due and payable. In the case of certain events of bankruptcy, insolvency or reorganization relating to the Company, the outstanding amount of the 2012 Notes shall automatically become immediately due and payable.

The Company has determined that the 2012 Notes contain an embedded derivative related to the potential mandatory redemption or early repayment of the 2012 Notes at the face amount prior to their maturity date. The Company bifurcated the embedded derivative from the 2012 Notes because the features of the embedded derivative were not clearly and closely related to the 2012 Notes.

The Company determines the fair value of the embedded derivative based on a probability-weighted model of the discounted value that market participants would ascribe to the potential mandatory redemption and early repayment features of the outstanding 2012 Notes. The fair value of this embedded derivative is evaluated quarterly, with any changes in the fair value of the embedded derivative resulting in a corresponding loss or gain. Changes in the fair value of the embedded derivative that result in a loss increase the liability each quarter by an amount corresponding to the loss, and changes in the fair value of the embedded derivative that result in a gain decrease the liability each quarter by an amount corresponding to the gain. The Company records quarterly interest expense related to the 2012 Notes determined using the effective interest rate method. The liabilities related to the 2012 Notes, including the embedded derivative, are reflected together on the Company's condensed consolidated balance sheets. As of June 30, 2011 and December 31, 2010, these liabilities were reflected as current.

Sale of Future Milestone Payments

On September 30, 2009, the Company entered into two purchase agreements with the Purchaser pursuant to which the Company sold its rights to an aggregate of \$95.0 million in potential future milestone payments under the Janssen agreement related to the launch of INCIVO in the European Union, for nonrefundable payments totaling \$32.8 million. The purchase agreements contain representations, warranties, covenants and indemnification obligations of each party, including the obligation of the Company to make the milestone payments to the Purchaser when the underlying milestone events are achieved if the Janssen agreement has been terminated.

The Company determined that this sale of a potential future revenue stream should be accounted for as a liability because the Company has significant continuing involvement in the generation of the potential milestone payments pursuant to its collaboration agreement with Janssen. As a result, the Company recorded a liability on its condensed consolidated balance sheets equal to the fair value of the purchase agreements. No revenues or deferred revenues have been recorded on account of the

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

M. September 2009 Financial Transactions (Continued)

amounts that the Company received from the Purchaser pursuant to these purchase agreements. In addition, the Company determined that the purchase agreements are free-standing derivative instruments. The aggregate fair value of the free-standing derivatives created by the sale of the rights to future milestone payments to the Purchaser pursuant to the purchase agreements is based on a probability-weighted model of the discounted value that market participants would ascribe to these rights. The models used to estimate the fair value of the rights sold to the Purchaser pursuant to the purchase agreements require the Company to make estimates regarding, among other things, the assumptions market participants would make regarding the timing and probability of achieving the milestones and the appropriate discount rates. The fair value of the rights sold to the Purchaser pursuant to the purchase agreements is evaluated each reporting period, with any changes in the fair value of the derivative instruments based on the probability of achieving the milestones, the timing of achieving the milestones or discount rates resulting in a corresponding gain or loss. Because the Company's estimate of the fair value of the rights to the future milestone payments includes the application of a discount rate to reflect the time-value of money, the Company records costs related to this liability each quarter. As of June 30, 2011 and December 31, 2010, this liability was reflected as current.

Expenses and Liabilities Related to September 2009 Financial Transactions

The tables below set forth the total expenses related to the September 2009 financial transactions for the three and six months ended June 30, 2011 and 2010, and the liabilities reflected on the Company's condensed consolidated balance sheets related to these transactions as of June 30, 2011 and December 31, 2010. The liabilities for the 2012 Notes, including the fair value of the embedded derivative, decreased from December 31, 2010 to June 30, 2011 as a result of redemption of \$50.0 million of 2012 Notes in the first quarter of 2011. The liability related to the sale of potential future milestone payments increased from December 31, 2010 to June 30, 2011 principally due to revised estimates regarding the probability of achieving the milestones related to the potential launch of INCIVO in the European Union in connection with the EMA's acceptance of the MAA for INCIVO in the first quarter of 2011.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Expenses and Losses (Gains):				
Interest expense related to 2012 Notes	\$ 2,863	\$ 3,702	\$ 10,797	\$ 7,285
Change in fair value of embedded derivative related to 2012 Notes	(18)	3,528	(1,514)	3,848
Change in fair value of free-standing derivatives related to sale of potential future milestone payments	2,238	23,706	9,332	24,875
Total September 2009 financial transaction expenses	<u>\$ 5,083</u>	<u>\$ 30,936</u>	<u>\$ 18,615</u>	<u>\$ 36,008</u>

Vertex Pharmaceuticals Incorporated**Notes to Condensed Consolidated Financial Statements (Continued)****(unaudited)****M. September 2009 Financial Transactions (Continued)**

	June 30, 2011	December 31, 2010
	(in thousands)	
Liabilities:		
2012 Notes, excluding fair value of embedded derivative	\$ 89,691	\$ 124,902
Embedded derivative related to 2012 Notes	4,973	12,089
Liability related to the sale of potential future milestone payments	87,131	77,799
Total liabilities related to September 2009 financial transactions	<u>\$ 181,795</u>	<u>\$ 214,790</u>

N. Sale of HIV Protease Inhibitor Royalty Stream

In 2008, the Company sold to a third party its rights to receive royalty payments from GlaxoSmithKline plc, net of royalty amounts to be earned and due to a third party, for a one-time cash payment of \$160.0 million. These royalty payments relate to net sales of HIV protease inhibitors, which had been developed pursuant to a collaboration agreement between the Company and GlaxoSmithKline. As of June 30, 2011, the Company had \$104.4 million in deferred revenues related to the one-time cash payment, which it is recognizing over the life of the collaboration agreement with GlaxoSmithKline based on the units-of-revenue method. In addition, the Company continues to recognize royalty revenues equal to the amount of the third-party subroyalty and an offsetting royalty expense for the third-party subroyalty payment.

O. Fan Pier Leases

On May 5, 2011, the Company entered into two leases, pursuant to which the Company agreed to lease approximately 1.1 million square feet of office and laboratory space in two buildings to be built at Fan Pier in Boston, Massachusetts (the "Fan Pier Leases"). The Fan Pier Leases will commence upon completion of the buildings (the "Buildings"), scheduled for late 2013, and will extend for 15 years from the commencement date. The Company has an option to extend the term of the Fan Pier Leases for an additional ten years.

Because the Company is involved in the construction project, including having responsibility to pay for a portion of the costs of tenant improvements and structural elements of the buildings, the Company is deemed for accounting purposes to be the owner of these buildings during the construction period. Accordingly, the Company recorded, as of June 30, 2011, \$9.9 million of project construction costs incurred by the landlord as an asset and a corresponding financing obligation in "Property and equipment, net" and "Construction financing obligation," respectively, on the Company's condensed consolidated balance sheet.

The Company bifurcates its future lease payments pursuant to the Fan Pier Leases into (i) a portion that is allocated to the Buildings and (ii) a portion that is allocated to the land on which the Buildings are being built. Although the Company will not begin making lease payments pursuant to the Fan Pier Leases until the Company occupies the Buildings, the portion of the lease obligations allocated to the land is treated for accounting purposes as an operating lease that commenced in the second quarter of 2011. The Company recorded \$0.6 million in expense related to this operating lease during the second quarter of 2011.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

O. Fan Pier Leases (Continued)

Once the construction of the Buildings is completed, the Company will evaluate the Fan Pier Leases in order to determine whether the leases meet the criteria for "sale-leaseback" treatment. The Company expects that upon completion of construction of the Buildings the Fan Pier Leases will not meet the "sale-leaseback" criteria. If the Fan Pier Leases do not meet "sale-leaseback" criteria, the Company will treat the Buildings as a financing obligation and the asset will be depreciated. If the Fan Pier Leases meet the "sale-leaseback" criteria, the Company will remove the asset and the related liability from its condensed consolidated balance sheet and treat the Fan Pier Leases as operating leases.

P. Credit Agreement

On January 7, 2011, the Company entered into a credit agreement with Bank of America, N.A. as administrative agent and lender. The credit agreement provides for a \$100.0 million revolving credit facility that is initially unsecured. As of June 30, 2011, the Company had not borrowed any amount under the credit agreement.

The Company may elect that the loans under the credit agreement bear interest at a rate per annum equal to (i) LIBOR plus 1.50%, or (ii) the rate of interest publicly announced from time to time by Bank of America as its prime rate. The Company may prepay the loans, in whole or in part, in minimum amounts without premium or penalty, other than customary breakage costs with respect to LIBOR borrowings. The Company may borrow, repay and reborrow under the facility until July 6, 2012, at which point the facility terminates.

The agreement contains customary representations and warranties, affirmative and negative covenants and events of default, including payment defaults, defaults for breaches of representations and warranties, covenant defaults and cross defaults. The credit agreement also requires that the Company comply with certain financial covenants, including a covenant that requires the Company to maintain at least \$400.0 million in cash, cash equivalents and marketable securities in domestic deposit and securities accounts, and a covenant that limits the Company's quarterly net losses.

The obligations of the lender to make an initial advance under the credit agreement are subject to a number of conditions, including a satisfactory due diligence review of the Company's financial position and business. Also, if, prior to an initial borrowing under the credit agreement, the Company engages in certain investment, acquisition or disposition transactions or prepays indebtedness, such activities could restrict the Company's ability to borrow under the credit agreement.

If the Company borrows under the credit agreement, the Company will become subject to certain additional negative covenants, subject to exceptions, restricting or limiting the Company's ability and the ability of the Company's subsidiaries to, among other things, grant liens, make certain investments, incur indebtedness, make certain dispositions and prepay indebtedness.

If the Company defaults under certain provisions of the credit agreement, including any default of a financial covenant, the loans will become secured by the Company's cash, cash equivalents and marketable securities with a margined value of \$100.0 million. In addition, if an event of default occurs, the interest rate would increase and the administrative agent would be entitled to take various actions, including the acceleration of payment of amounts due under the loan.

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Q. Guarantees

As permitted under Massachusetts law, the Company's Articles of Organization and Bylaws provide that the Company will indemnify certain of its officers and directors for certain claims asserted against them in connection with their service as an officer or director. The maximum potential amount of future payments that the Company could be required to make under these indemnification provisions is unlimited. However, the Company has purchased directors' and officers' liability insurance policies that could reduce its monetary exposure and enable it to recover a portion of any future amounts paid. No indemnification claims are currently outstanding and the Company believes the estimated fair value of these indemnification arrangements is minimal.

The Company customarily agrees in the ordinary course of its business to indemnification provisions in agreements with clinical trial investigators and sites in its drug development programs, in sponsored research agreements with academic and not-for-profit institutions, in various comparable agreements involving parties performing services for the Company, and in its real estate leases. The Company also customarily agrees to certain indemnification provisions in its drug discovery, development and commercialization collaboration agreements. With respect to the Company's clinical trials and sponsored research agreements, these indemnification provisions typically apply to any claim asserted against the investigator or the investigator's institution relating to personal injury or property damage, violations of law or certain breaches of the Company's contractual obligations arising out of the research or clinical testing of the Company's compounds or drug candidates. With respect to lease agreements, the indemnification provisions typically apply to claims asserted against the landlord relating to personal injury or property damage caused by the Company, to violations of law by the Company or to certain breaches of the Company's contractual obligations. The indemnification provisions appearing in the Company's collaboration agreements are similar, but in addition provide some limited indemnification for its collaborator in the event of third-party claims alleging infringement of intellectual property rights. In each of the cases above, the indemnification obligation generally survives the termination of the agreement for some extended period, although the obligation typically has the most relevance during the contract term and for a short period of time thereafter. The maximum potential amount of future payments that the Company could be required to make under these provisions is generally unlimited. The Company has purchased insurance policies covering personal injury, property damage and general liability that reduce its exposure for indemnification and would enable it in many cases to recover a portion of any future amounts paid. The Company has never paid any material amounts to defend lawsuits or settle claims related to these indemnification provisions. Accordingly, the Company believes the estimated fair value of these indemnification arrangements is minimal.

The Company entered into underwriting agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated dated February 12, 2008, February 18, 2009 and September 23, 2010, and with Goldman, Sachs & Co. dated September 18, 2008 and December 2, 2009 (collectively, the "Underwriting Agreements"), in each case as the representative of the several underwriters, if any, named in such agreements, relating to the public offering and sale of shares of the Company's common stock or convertible senior subordinated notes. The Underwriting Agreement relating to each offering requires the Company to indemnify the underwriters of that public offering against any loss they may suffer by reason of the Company's breach of any representation or warranty relating to that public offering, the Company's failure to perform certain covenants in those agreements, the inclusion of any untrue statement of material fact in the prospectus used in connection with that offering, the omission of any

Vertex Pharmaceuticals Incorporated

Notes to Condensed Consolidated Financial Statements (Continued)

(unaudited)

Q. Guarantees (Continued)

material fact needed to make those materials not misleading, and any actions taken by the Company or its representatives in connection with the offering. The representations, warranties, covenants and indemnification provisions in the Underwriting Agreements are of a type customary in agreements of this sort. The Company believes the estimated fair value of these indemnification arrangements is minimal.

R. Contingencies

The Company has certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a reserve for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. There were no material contingent liabilities accrued as of June 30, 2011 or December 31, 2010.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are in the business of discovering, developing and commercializing small molecule drugs for the treatment of serious diseases. In May 2011, we began marketing INCIVEK™ (telaprevir) in the United States for the treatment of patients with chronic hepatitis C virus, or HCV, infection. We recognized \$74.5 million in net product revenues in the second quarter of 2011 and expect to generate cash flows from sales of INCIVEK beginning in the third quarter of 2011. In the first half of 2011, we successfully completed the registration program for VX-770, the lead drug candidate in our cystic fibrosis, or CF, program. We expect to submit a New Drug Application, or NDA, in the United States and a marketing authorization application, or MAA, in the European Union for VX-770 in October 2011. We plan to continue investing in our research and development programs and to develop and commercialize selected drug candidates that emerge from those programs, alone or with third-party collaborators.

Business Focus

In order to execute our business plan and achieve profitability, we need to successfully commercialize INCIVEK in the United States. Successful commercialization of INCIVEK requires effective marketing, distribution and pricing strategies; infrastructure to support commercial sales; appropriate and sustained levels of INCIVEK inventory; company-wide processes and systems to support compliance with applicable laws and regulations and post-marketing safety evaluations; and an effective sales force and managed markets organization to promote INCIVEK to healthcare providers and payors. For longer-term success we also need to ensure that a significant portion of the HCV-infected population that currently is undiagnosed is diagnosed and treated. The market for the treatment of patients with HCV infection is highly competitive. We are competing with Merck & Co., Inc's Victrelis™ (boceprevir), another HCV protease inhibitor that was approved for sale in the United States in the second quarter of 2011, and will have to compete in the future with any new therapies that are approved for the treatment of genotype 1 HCV infection.

We are seeking Canadian regulatory approval for INCIVEK in the second half of 2011 and are building the commercial infrastructure that will be required to market INCIVEK in Canada. Our collaborator, Janssen Pharmaceutica, N.V., or Janssen, is responsible for the commercialization of telaprevir in its territories, including the European Union, and is obligated to pay us royalties on its net sales of telaprevir. In July 2011, Tibotec Virco-Virology BVBA, an affiliate of Janssen, announced that the Committee for Medicinal Products for Human Use of the European Medicines Agency, or EMA, adopted a positive opinion to recommend the approval of telaprevir. The positive opinion will be considered by the European Commission, which has authority to approve new drugs in the European Union. We expect Janssen will receive a response from the European Commission in the third quarter of 2011. Janssen plans to market telaprevir using the brand name INCIVO™ in the European Union.

We have ongoing Phase 2 clinical programs involving drug candidates intended for the treatment of HCV infection, CF, rheumatoid arthritis and epilepsy, and plan to begin Phase 1 clinical development of VX-787, which is our first drug candidate intended for the treatment of influenza. We believe that our longer-term success will depend on our ability to continue to generate and develop innovative compounds. To that end, we expect to continue to focus on research programs directed toward the identification of new drug candidates for the treatment of serious diseases.

We are incurring substantial expenses to commercialize INCIVEK, while at the same time continuing diversified research and development efforts for our drug candidates and expanding our organization. We may seek to borrow working capital if such financing is available to us. Although we have no plans to do so in the near term, we may raise additional capital from public offerings or private placements of our securities, from new collaborative agreements or through other methods of

financing. We cannot be sure that financing opportunities will be available on acceptable terms, if at all. If our cash flows from telaprevir, together with cash flows from VX-770, if approved, are not sufficient, we may be required to seek additional capital, significantly curtail or discontinue one or more of our research or development programs, including clinical trials, which could involve significant cash exit costs, or attempt to obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain of our drug candidates.

Drug Development and Commercialization

Discovery and development of a new pharmaceutical product is a difficult and lengthy process that requires significant financial resources along with extensive technical and regulatory expertise and can take 10 to 15 years or more. Throughout this entire process, potential drug candidates are subjected to rigorous evaluation, driven in part by stringent regulatory considerations, designed to generate information concerning efficacy, side-effects, proper dosage levels and a variety of other physical and chemical characteristics that are important in determining whether a drug candidate should be approved for marketing as a pharmaceutical product. Most chemical compounds that are investigated as potential drug candidates never progress into formal development, and most drug candidates that do advance into formal development never receive marketing approval. Because our investments are subject to considerable risks, we closely monitor the results of our discovery research, clinical trials and nonclinical studies, and frequently evaluate our drug development programs in light of new data and scientific, business and commercial insights, with the objective of balancing risk and potential. This process can result in relatively abrupt changes in focus and priority as new information becomes available and we gain additional understanding of our ongoing programs and potential new programs.

If we complete a registration program for a drug candidate and believe the data support approval of the drug candidate, we generally would submit an NDA to the United States Food and Drug Administration, or FDA, requesting approval to market the drug candidate in the United States. We or our collaborators also generally would seek analogous approvals from comparable regulatory authorities in foreign jurisdictions. To obtain approval, we must, among other things, demonstrate with evidence gathered in nonclinical studies and well-controlled clinical trials that the drug candidate is safe and effective for the disease it is intended to treat and that the manufacturing facilities, processes and controls for the manufacture of the drug candidate are adequate. The FDA and foreign regulatory authorities have substantial discretion in deciding whether or not a drug candidate should be granted approval based on the benefits and risks of the drug candidate in the treatment of a particular disease, and could delay, limit or deny regulatory approval. If regulatory delays are significant or regulatory approval is limited or denied altogether, our financial results and the commercial prospects for the drug candidate involved will be harmed.

We believe that by focusing on serious diseases and innovative drugs that have the potential to provide significant advantages over existing therapies, we can increase the likelihood that our drug candidates, if approved, will be commercially successful. We believe that INCIVEK has a commercially competitive profile and that a significant group of patients with genotype 1 HCV infection will be willing to seek treatment with an INCIVEK-based treatment regimen. VX-770, if approved, would be the first drug to treat the underlying cause of CF in any patient population. However, we cannot accurately predict the revenues that will be generated by INCIVEK or by VX-770, if it receives regulatory approvals, and we may need to adjust our business plan as we obtain additional information regarding our actual product revenues. Even drugs that achieve initial market acceptance may then be rendered obsolete or noncompetitive by the introduction of additional therapies, expiration of intellectual property protections or introduction of generic competition. Approved drugs continue to be subject, among other things, to numerous regulatory risks, post-approval safety monitoring and risks related to supply chain disruptions.

We require a supply of INCIVEK for sale in North America and will require a supply of VX-770 for sale worldwide if we are successful in obtaining marketing approval for VX-770. We rely on an international network of third parties to manufacture and distribute our drug candidates for clinical trials, and we expect that we will continue to rely on third parties for the foreseeable future to meet our commercial supply needs for INCIVEK and any of our drug candidates that are approved for sale. Third-party contract manufacturers, including some in China, supply us with raw materials, and contract manufacturers in the European Union and the United States convert these raw materials into drug substance and convert the drug substance into final dosage form. Establishing and managing this global supply chain requires a significant financial commitment and the creation and maintenance of numerous third-party relationships. Although we attempt to effectively manage the business relationships with companies in our supply chain, we do not have complete control over their activities. Also, because of the significant lead times required to manufacture our commercial supply of INCIVEK, we may have less flexibility to adjust our supply in response to increased demand than if we had shorter lead times.

We had not marketed pharmaceutical products before we obtained approval for INCIVEK, and prior to 2010 we had a relatively small commercial organization. As a result, in the past many of the regulations related to the marketing of pharmaceutical products have had limited applicability to our business. As we expanded our commercial organization, we focused on implementing a comprehensive compliance program to actively identify, prevent and mitigate risk through the implementation of compliance policies and systems and by promoting a culture of compliance. Among other laws, regulations and standards, we are subject to various federal and state laws pertaining to healthcare fraud and abuse, including anti-kickback and false claims statutes. Anti-kickback laws make it illegal for a prescription drug manufacturer to solicit, offer, receive, or pay any remuneration in exchange for, or to induce, the referral of business, including the purchase or prescription of a particular drug. False claims laws prohibit anyone from presenting for payment to third-party payors, including Medicare and Medicaid, claims for reimbursed drugs or services that are false or fraudulent, claims for items or services not provided as claimed, or claims for medically unnecessary items or services. We expect to continue to devote substantial resources to maintain and administer these compliance programs.

Recent Developments

Cystic Fibrosis Foundation Therapeutics Incorporated

In April 2011, we expanded our collaboration with Cystic Fibrosis Foundation Therapeutics Incorporated, or CFFT. Under the expanded collaboration, CFFT agreed to provide up to \$75.0 million in financial support over approximately five years for development activities for VX-661, a corrector compound discovered under the collaboration, and additional research and development activities directed at discovering new corrector compounds. We retain the rights to develop and commercialize VX-770, VX-809, VX-661 and any other compounds discovered during the course of the research collaboration with CFFT. We will pay royalties to CFFT on the net sales of any approved drugs discovered in the collaboration.

Fan Pier Leases

In May 2011, we entered into two leases, pursuant to which we agreed to lease approximately 1.1 million square feet of office and laboratory space in two buildings to be built at Fan Pier in Boston, Massachusetts. These leases will commence upon completion of the buildings, scheduled for late 2013, and will extend for 15 years from the commencement date. Pursuant to the leases, we will pay an average of approximately \$72.5 million per year in aggregate rent, exclusive of operating expenses, for both buildings during the initial 15-year term of the leases.

Alios BioPharma, Inc.

In June 2011, we entered into a license and collaboration agreement with Alios BioPharma, Inc., or Alios. Under the agreement, we agreed to collaborate with Alios on the research, development and commercialization of two nucleotide analogues discovered by Alios, ALS-2200 and ALS-2158, which act on the hepatitis C polymerase. Alios plans to initiate Phase 1 clinical trials of ALS-2200 and ALS-2158 in the fourth quarter of 2011. We are responsible for costs related to development and commercialization of the compounds, including manufacturing costs, and will provide research funding to Alios to conduct a program directed to the discovery of additional HCV nucleotide analogues. Under the terms of the collaboration agreement, we received exclusive worldwide rights to ALS-2200 and ALS-2158 and have the option to select additional compounds discovered in the research program. We paid Alios a \$60.0 million up-front payment, and Alios is eligible to receive research and development milestone payments of up to \$715.0 million if both compounds are approved and commercialized. Alios also is eligible to receive commercial milestone payments of up to \$750.0 million, as well as tiered royalties, on net sales of any approved drugs.

Clinical Developments

Cystic Fibrosis Combination Clinical Trials

In June 2011, we announced interim data from Part 1 of a Phase 2 clinical trial designed to evaluate multiple combination regimens of VX-770 and VX-809, which enrolled 62 patients with CF with the F508del mutation on both alleles. Part 1 of the clinical trial evaluated a 200 mg dose of VX-809, or placebo, alone for 14 days and then in combination with two doses of VX-770, or placebo, for 7 days.

In Part 1 of this clinical trial no serious adverse events were reported, and the adverse event profile observed during the 14-day portion of the clinical trial in which VX-809 was dosed as monotherapy was similar to the profile observed during the subsequent 7-day portion in which VX-809 and VX-770 were dosed in combination. Safety is a primary endpoint of the clinical trial, and we believe the interim safety data support further clinical evaluations of combination regimens involving a cystic fibrosis transmembrane conductance regulator, or CFTR, potentiator and a CFTR corrector.

Another primary endpoint of this clinical trial is the effect on CFTR function as measured by sweat chloride levels during the combination-dosing portion of the clinical trial. Elevated sweat chloride levels—high levels of salt in sweat—occur in CF patients and result directly from defective CFTR activity in epithelial cells in the sweat ducts. Patients with CF typically have elevated sweat chloride levels that are in excess of 60 mmol/L, compared to normal values of less than 40 mmol/L. In Part 1 of this clinical trial, the mean baseline sweat chloride level across the three arms was approximately 100 mmol/L. In the first 14 days, patients receiving VX-809 had a mean decrease in sweat chloride from baseline of -4.21 mmol/L ($p=0.008$), while patients receiving placebo had a decrease in sweat chloride levels from baseline of -2.86 mmol/L ($p=0.179$). During the seven-day period in which patients received a combination of VX-809 and VX-770, (i) patients in the treatment arm receiving the higher dose of VX-770 (250 mg) had a -9.10 mmol/L ($p<0.001$) decrease in sweat chloride levels compared to the values at the end of the 14-day period in which the patients received VX-809 alone and (ii) patients in the treatment arm receiving the lower dose of VX-770 (150 mg) had a -2.24 mmol/L ($p<0.163$) decrease in sweat chloride levels compared to the values at the end of the 14-day period in which the patients received VX-809 alone.

We intend to initiate Part 2 of this Phase 2 clinical trial in the fourth quarter of 2011. In Part 2, we expect to evaluate longer periods of combination dosing of multiple doses of VX-770 and VX-809, including higher doses of VX-809. In addition, we plan to initiate a Phase 2a clinical trial of VX-770 and VX-661 by the end of 2011 that will evaluate patients with the F508del mutation on both alleles.

In July 2011, we provided interim results from an ongoing Phase 2a clinical trial in patients with genotype 1 HCV designed to evaluate response-guided combination treatment regimens of telaprevir and VX-222. The primary endpoint of this trial is safety and tolerability, and secondary endpoints are on-treatment antiviral activity and the proportion of people in each treatment arm who achieve a sustained viral response.

The interim analysis included an analysis of end-of-treatment and post-treatment antiviral activity data from the two four-drug treatment arms consisting of telaprevir, VX-222, pegylated-interferon, or peg-IFN, and ribavirin, or RBV. In the treatment arm in which patients received the higher dose of VX-222, 15 of 30 patients, or 50%, had undetectable HCV RNA levels at both week 2 and week 8 and were eligible to stop all treatment after 12 weeks, and one of these patients relapsed during the twelve weeks following treatment. Of the 15 patients in this arm who were not eligible to stop all treatment after 12 weeks, 13 completed 24 weeks of treatment. In the treatment arm in which patients received the lower dose of VX-222, 11 of 29 patients, or 38%, had undetectable RNA levels at both week 2 and week 8 and were eligible to stop all treatment after 12 weeks, and two of these patients relapsed during the twelve weeks following treatment. Of the 18 patients in this arm who were not eligible to stop all treatment after 12 weeks, 14 completed 24 weeks of treatment. The following table summarizes the interim antiviral activity data from the two four-drug treatment arms of this clinical trial:

<u>Treatment Arm</u>	<u>Total Number of Patients</u>	<u>Patients with undetectable HCV RNA levels 12 weeks after end-of-treatment</u> (Patients who were eligible for and completed 12 total weeks of treatment)	<u>Patients with undetectable HCV RNA levels at end of treatment</u> (Patients who were ineligible for 12 weeks of treatment and completed 24 total weeks of treatment)	<u>Patients with undetectable HCV RNA levels 24 weeks after beginning treatment</u> (All patients, including patients who discontinued treatment)
VX-222 (400 mg), telaprevir, peg-IFN and RBV	30	93% (14/15)	100% (13/13)	90% (27/30)
VX-222 (100 mg), telaprevir, peg-IFN and RBV	29	82% (9/11)	93% (13/14)	83% (24/29)

Two patients in the treatment arm receiving the higher dose of VX-222 discontinued treatment before week 12 and did not have undetectable HCV RNA levels 12 weeks after end-of-treatment. Four people in the VX-222 (100 mg) treatment arm discontinued treatment before week 12 and two of these patients had undetectable HCV RNA levels 12 weeks after end-of-treatment. We did not have end-of-treatment data for one of the patients in the treatment arm receiving the lower dose of VX-222 who received 24 total weeks of treatment, and that patient is reflected as having detectable HCV RNA levels in the third and fourth column of the above table.

The most frequent adverse events observed in the four-drug treatment arms were fatigue, nausea, diarrhea, anemia, pruritis (itchiness) and rash. The majority of events were mild or moderate. Mild diarrhea occurred more frequently in the treatment arm in which patients received the higher dose of VX-222. Six patients discontinued treatment due to adverse events; three from each treatment arm. Two patients from each treatment arm discontinued treatment before week 12 and one patient in each treatment arm discontinued treatment between weeks 12 and 24 while they were receiving peg-IFN and RBV alone.

Additional treatment arms in the clinical trial are evaluating an all-oral, three-drug regimen consisting of VX-222, telaprevir and RBV, and we expect these treatment arms to complete enrollment in the third quarter of 2011. We are evaluating patients with genotype 1a HCV infection in one of these treatment arms, and patients with genotype 1b HCV infection in the second treatment arm.

VX-770

In addition to our plan to file applications for regulatory approval of VX-770 in the United States and European Union in October 2011, we plan to subsequently seek approval in certain other countries including Canada. These submissions will seek approval for VX-770 as a treatment for patients six years of age and older who have the G551D mutation on at least one allele.

In the first half of 2012, we are planning to initiate a clinical trial of a pediatric formulation of VX-770 that will enroll children younger than six years of age who have the G551D mutation on at least one allele. We also are planning to initiate two clinical trials of VX-770 that will enroll patients who have other CFTR mutations where, based on *in vitro* data, we believe VX-770 may help improve the function of the CFTR protein on the cell surface.

VX-787

VX-787 is our first drug candidate intended for the treatment of influenza. VX-787 aims to treat influenza in a way that is distinct from neuraminidase inhibitors, which are the current standard of care for the treatment of influenza. We have completed our pre-Investigational New Drug meeting with the FDA and intend to begin Phase 1 development of VX-787 in September 2011. If the clinical trials in healthy volunteers are successful, we could begin evaluating VX-787 in patients with influenza in the first half of 2012.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States. The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are reflected in reported results for the period in which the change occurs. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate. During the six months ended June 30, 2011, there were no material changes to our critical accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2010 except:

Product Revenues, Net

In the second quarter of 2011, we began generating revenues in the United States from sales of INCIVEK. We sell INCIVEK principally to a limited number of major wholesalers, as well as selected regional wholesalers and specialty pharmacy providers, collectively our distributors, who subsequently resell INCIVEK to patients and healthcare providers. Separately, we have arrangements with numerous third-party payors that provide for government-mandated and privately-negotiated rebates, chargebacks and discounts.

We recognize net product revenues from sales of INCIVEK upon delivery to our distributors as long as:

- there is persuasive evidence that an arrangement exists between us and our distributor;
- collectibility is reasonably assured; and
- the price is fixed or determinable.

We have written contracts with our distributors and delivery occurs when a distributor receives INCIVEK (freight on board destination). We evaluate the creditworthiness of each of our distributors and have determined that all of our material distributors are creditworthy. In order to conclude that the price is fixed or determinable, we must be able to calculate our gross product revenues from our distributors and reasonably estimate our net product revenues. Our gross product revenues are based on the fixed wholesale acquisition cost for INCIVEK that we charge our distributors. We estimate our net product revenues by deducting from our gross product revenues (i) trade allowances, such as invoice discounts for prompt payment and distributor fees, (ii) estimated government and private payor rebates, chargebacks and discounts, such as Medicaid reimbursements, (iii) reserves for expected product returns and (iv) estimated costs of incentives offered to certain indirect customers including patients. These estimates, and in particular the estimates for rebates, chargebacks and discounts and expected product returns, require us to make significant judgments that materially affect our recognition of net product revenues on sales of INCIVEK.

The value of the rebates, chargebacks and discounts provided to third-party payors per course of treatment vary significantly and are based on government-mandated discounts and our arrangements with other third-party payors. Typically, government-mandated discounts are significantly larger than discounts provided to other third-party payors. In order to estimate our total rebates, chargebacks and discounts, we estimate the percentage of prescriptions that will be covered by each third-party payor, which is referred to as the payor mix. In order to estimate the payor mix for INCIVEK in the second quarter of 2011, we used both (i) information obtained from our distributors and third parties regarding the payor mix for INCIVEK that has been prescribed since we began marketing INCIVEK in May 2011 and (ii) historical industry information regarding the payor mix for peg-IFN and RBV. Based on this information, we have estimated that approximately 30% of the initial patients receiving INCIVEK will be covered by a third-party payor entitled to a government-mandated discount. We will track available information regarding changes, if any, to the payor mix for INCIVEK, to our contractual terms with third-party payors and to applicable governmental programs and regulations. If necessary, we will adjust our estimated rebates, chargebacks and discounts based on new information, including information regarding actual rebates, chargebacks and discounts for INCIVEK, as it becomes available. If we increased our estimate of the percentage of patients receiving INCIVEK covered by third-party payors entitled to government-mandated discounts by five percentage points, our net product revenues would decrease by less than 1% for the three months ended June 30, 2011.

Our distributors have the right to return unopened unprescribed INCIVEK beginning six months prior to the labeled expiration date and ending twelve months after the labeled expiration date. The expiration date for INCIVEK is two years after it has been converted into tablet form, which is the last step in the manufacturing process for INCIVEK and generally occurs within a few months before INCIVEK is delivered to distributors. As of June 30, 2011, we have not received any product returns. As of mid-July 2011, we believe that a high percentage of the INCIVEK sold to our distributors in the second quarter of 2011 has been prescribed to patients. In the second quarter of 2011, based on our specialty distribution model with sales to a limited number of distributors, data provided to us by our distributors, including weekly reporting of distributor sales and inventory levels, and by other third parties, historical industry information regarding return rates for similar specialty pharmaceutical products, the estimated remaining shelf life of INCIVEK previously shipped and currently being shipped, and contractual agreements with our distributors intended to limit the amount of inventory

they maintain, we have estimated that product returns for INCIVEK sold to distributors in the second quarter of 2011 will be less than 1%. We will track actual returns by individual production lots and will continue to monitor inventory levels. If necessary, we will adjust our estimated product returns based on new information as it becomes available.

Variable Interest Entity and Collaborative Arrangements—Alios BioPharma, Inc.

In June 2011, we entered into an agreement with Alios pursuant to which we agreed to collaborate on the research, development and commercialization of ALS-2200 and ALS-2158, two HCV nucleotide analogues discovered by Alios. We are responsible for all expenses related to the development and commercialization of the Alios compounds incurred after the effective date of the agreement, including manufacturing costs for the supply of ALS-2200 and ALS-2158 after the effective date, and will provide research funding to Alios. We paid Alios a \$60.0 million up-front payment, and Alios is eligible to receive research and development milestone payments, commercial milestone payments and tiered royalties on net sales of any approved drugs licensed by us under the collaboration agreement. Our interests in Alios are limited to those accorded to us pursuant to our collaboration agreement with Alios, and we have no equity interest, or right to acquire any equity interest, in Alios. In addition to Alios' activities related to HCV nucleotide analogues, Alios is engaged in separate programs directed at developing novel drugs.

Our collaboration with Alios requires us to apply accounting policies that involve significant judgments and that have a material effect on our condensed consolidated financial statements. Under applicable accounting guidance, as a result of the relationship established through the collaboration agreement, Alios is deemed to be a variable interest entity, or VIE. Because we acquired an exclusive license to certain intellectual property belonging to the VIE, and based on the significance of the two licensed compounds to Alios taken as a whole, the collaboration is treated for accounting purposes as if we have acquired an interest in the entire VIE. In the Alios collaboration, where (a) through the joint steering committee, we have the power to direct the development and commercialization of the two licensed compounds, which are the activities that most significantly impact the economic performance of Alios, (b) we are required to fund research and development activities related to the licensed assets and (c) we are entitled to receive a majority of the potential revenues from sales of drugs developed pursuant to the collaboration, we are deemed under accounting guidance to be the primary beneficiary of a VIE that is a business, and as a consequence, are required to consolidate the VIE's financial statements into our financial statements.

We believe that the following effects of the consolidation on our condensed consolidated financial statements are the most significant:

- We reflect all of Alios' cash and cash equivalents as restricted cash and cash equivalents (Alios) when we consolidate Alios' balance sheet. We do not have any rights to Alios' cash or cash equivalents; these resources are not available to fund research and development programs pursuant to the collaboration and these amounts do not provide us with any additional liquidity. As a result of the \$60.0 million up-front payment that we made to Alios in June 2011, Alios had significant liquid assets as of June 30, 2011. Alios has control over the restricted cash and cash equivalents (Alios), including the ability to distribute the restricted cash and cash equivalents to Alios' equityholders, and as a result this asset, although carried on our balance sheet, is not included in the discussion of our liquidity and should be disregarded when evaluating our financial condition.
- We recorded \$250.6 million of intangible assets based on our preliminary estimate of the fair value of Alios' in-process research and development assets as of the transaction date. We determined the preliminary fair value of these in-process research and development assets using probability-weighted present-value models and made significant estimates regarding: the

probability of obtaining regulatory approval of an HCV nucleotide analogue; the timing and expected costs of clinical trials and other development activities; future potential cash flows from sales of drugs and the appropriate discount rates. If we are successful in developing one or more HCV nucleotide analogues, we will amortize the carrying value of the intangible asset as part of cost of product revenues. We will test these in-process research and development assets for impairment on an annual basis as of October 1, and more frequently if indicators are present or changes in circumstances suggest that impairment may exist. If these in-process research and development assets become impaired, we could record significant charges in the period in which the impairment occurs.

- In each period, we will consolidate all of Alios' expenses and revenues, if any, into our condensed consolidated statements of operations, eliminating all intercompany balances and transactions. As of June 2011, Alios had approximately 30 employees and is responsible, subject to our oversight, for most of the research and development activities that will occur in the early phase of the collaboration. In the second quarter of 2011, Alios' operating expenses were immaterial to our condensed consolidated statements of operations. In future periods, if Alios increases its headcount and/or expands its activities related to its other programs, its operating expenses could increase substantially. To the extent that Alios pursues other programs, we expect that expenses of Alios related to those activities would be reflected in our research and development expenses and our sales, general and administrative expenses as a result of the financial statement consolidation. We would not be entitled to any benefits from those activities.
- In each period, we will record a net loss (gain) attributable to the Alios noncontrolling interest. This net loss (gain) reflects Alios' net (loss) gain for the period as adjusted for gains and losses in the fair value of the contingent milestone and royalty payments payable by us to Alios. Determining the fair value of the contingent milestone and royalty payments payable by us to Alios requires us to make significant estimates regarding the probability and potential timing of achieving each of the milestones pursuant to the agreement; future potential net sales of HCV nucleotide analogues licensed from Alios and appropriate discount rates. In future periods, we expect that the net loss (gain) attributed to noncontrolling interest (Alios) could be significantly adjusted on account of changes in the fair value of the contingent milestone and royalty payments. For example, if we successfully advance one or more of Alios' HCV nucleotide analogues into later-stage clinical development, the fair value of the contingent milestone and royalty payments could increase significantly due to increases in the likelihood of achieving milestones and obtaining regulatory approvals, together with decreases in the time period over which we are discounting potential milestone and royalty payments. Increases in the fair value of the contingent milestone and royalty payments could result in significant net gains attributable to the noncontrolling interest (Alios) on our condensed consolidated statements of operations.

Results of Operations—Three and Six Months Ended June 30, 2011 Compared with Three and Six Months Ended June 30, 2010

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010 (in thousands)			2011	2010 (in thousands)		
Revenues	\$ 114,424	\$ 31,622	\$ 82,802	262%	\$ 188,086	\$ 54,051	\$ 134,035	248%
Operating costs and expenses	280,314	201,195	79,119	39%	513,875	383,906	129,969	34%
Non-operating expenses	8,980	30,433	(21,453)	(70)%	25,177	35,422	(10,245)	(29)%
Net loss attributable to Vertex	\$ 174,069	\$ 200,006	\$ (25,937)	(13)%	\$ 350,165	\$ 365,277	\$ (15,112)	(4)%

Net Loss Attributable to Vertex

Our net losses (excluding those attributable to the Alios noncontrolling interests) in the second quarter and first half of 2011 decreased as compared to our net losses in the second quarter and first half of 2010, due to significant increases in our revenues and decreases in our non-operating expenses, partially offset by significant increases in our operating costs and expenses. Our increased revenues were the result of INCIVEK net product revenues recognized in the second quarter of 2011 and \$50.0 million in milestone revenues from Janssen recognized in the first quarter of 2011, for which there were no comparable revenues in the first half of 2010. The significant increases in our operating costs and expenses in the second quarter and first half of 2011 as compared to the second quarter and first half of 2010 were primarily the result of the expansion of our commercial organization and costs related to initiating sales of INCIVEK in the United States.

Net Loss Attributable to Vertex per Common Share

Our net loss attributable to Vertex for the three months ended June 30, 2011 was \$0.85 per basic and diluted common share compared to \$1.00 for the three months ended June 30, 2010. Our net loss attributable to Vertex for the six months ended June 30, 2011 was \$1.72 per basic and diluted common share compared to \$1.83 for the six months ended June 30, 2010. These decreases in net loss attributable to Vertex per common share for the three and six months ended June 30, 2011 compared to the comparable periods in 2010 were the result of the decreases in our net loss together with small increases in the basic and diluted weighted-average number of common shares outstanding.

Stock-based Compensation and Certain Other Expenses

The comparisons of our costs and expenses during the three and six months ended June 30, 2011 and 2010 reflects changes in our levels of stock-based compensation expense and expense related to our September 2009 financial transactions. Our stock-based compensation expense has increased due to the expansion of our workforce and increased expenses related to equity awards that include performance-based accelerated vesting provisions. The stock-based compensation expense related to the equity awards with performance-based accelerators increased as we progressed INCIVEK through the final stages of development in 2010, obtained approval for INCIVEK in the second quarter of 2011 and received positive results from our VX-770 registration program in the first half of 2011. Non-cash expenses related to our September 2009 financial transactions were significantly lower in the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010.

Our costs and expenses in the three and six months ended June 30, 2011 and 2010 included the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Stock-based compensation expense	\$ 31,879	\$ 24,449	\$ 59,758	\$ 43,782
Restructuring expense	741	2,112	1,501	2,892
September 2009 financial transaction expenses	5,083	30,936	18,615	36,008

Revenues

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010			2011	2010		
	(in thousands)				(in thousands)			
Product revenues, net	\$ 74,535	\$ —	\$ 74,535	n/a	\$ 74,535	\$ —	\$ 74,535	n/a
Royalty revenues	10,010	7,262	2,748	38%	16,071	13,669	2,402	18%
Collaborative revenues	29,879	24,360	5,519	23%	97,480	40,382	57,098	141%
Total revenues	<u>\$ 114,424</u>	<u>\$ 31,622</u>	<u>\$ 82,802</u>	262%	<u>\$ 188,086</u>	<u>\$ 54,051</u>	<u>\$ 134,035</u>	248%

In the second quarter of 2011, we began recognizing net product revenues from sales in the United States of INCIVEK, which was approved by the FDA on May 23, 2011. Prior to the second quarter of 2011, our total revenues consisted primarily of collaborative revenues, which have fluctuated significantly on a quarterly basis. This variability has been due to, among other things: the timing of recognition of up-front payments and significant milestone revenues, the variable level of net reimbursement we have received for the telaprevir development program from Janssen, and revenues from services we provided to our telaprevir collaborators through our third-party manufacturing network.

Product Revenues, Net

We began recognizing net product revenues on sales of INCIVEK in the United States in the second quarter of 2011. Our net product revenues in the second quarter of 2011 were \$74.5 million, representing INCIVEK that was delivered to our distributors between May 23, 2011 and June 30, 2011. We expect these revenues on a quarterly basis to increase during the remainder of 2011 as compared to the second quarter of 2011.

Royalty Revenues

Janssen has agreed to pay us royalties on sales of telaprevir in Janssen's territories, including sales pursuant to early access programs that are authorized by certain European countries. In the second quarter of 2011, our royalty revenues reflect \$2.5 million of royalty revenues due to sales of INCIVO by Janssen to the French government pursuant to an early access program. Janssen has obtained a positive opinion from the EMA recommending approval of INCIVO and expects a response from the European Commission in the third quarter of 2011. We expect that our royalty revenues related to INCIVO will increase significantly once Janssen obtains marketing approval and begins marketing INCIVO in the European Union.

The rest of our royalty revenues in the second quarter of 2011 and all of our royalty revenues in periods prior to the second quarter of 2011 relate to sales by GlaxoSmithKline plc of HIV protease inhibitors that were discovered and developed pursuant to our collaboration with GlaxoSmithKline. In 2008, we sold our right to receive future royalties from GlaxoSmithKline with respect to these HIV

protease inhibitors, excluding the portion allocated to pay a subroyalty on these net sales to a third party, in return for a one-time cash payment. We deferred the recognition of revenues from this sale and are recognizing these deferred revenues over the term of our agreement with GlaxoSmithKline under the units-of-revenue method. We recognize additional royalty revenues equal to the amount of a third-party subroyalty and an offsetting royalty expense for the third-party subroyalty payment.

Collaborative Revenues

The table presented below is a summary of revenues from our collaborative arrangements for the three and six months ended June 30, 2011 and 2010:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2011	2010	2011	2010
	(in thousands)			
Janssen	\$ 9,058	\$ 11,882	\$ 65,174	\$ 18,346
Mitsubishi Tanabe	14,873	12,036	26,358	21,594
CFFT	5,948	—	5,948	—
Other	—	442	—	442
Total collaborative revenues	\$ 29,879	\$ 24,360	\$ 97,480	\$ 40,382

We recognized \$50.0 million in milestone revenues under our collaboration agreement with Janssen in the first half of 2011 related to the acceptance of the filing of the MAA for INCIVO. The \$50.0 million milestone payment was applied to the redemption of \$50.0 million of 2012 Notes, as required pursuant to the terms of the 2012 Notes. In the second half of 2011, we believe we will achieve one or more of the additional \$200.0 million in potential Janssen milestone payments related to the approval and launch of INCIVO in the European Union. We are obligated to apply the proceeds from the next \$105.0 million of these milestone payments toward the redemption of the remaining \$105.0 million of 2012 Notes. The final \$95.0 million in milestone payments related to the potential launch of INCIVO in the European Union are to be paid by Janssen directly to the purchaser of these milestone payments.

In each of the three and six months ended June 30, 2011 and 2010, we recognized \$9.6 million and \$19.1 million of deferred revenues from Mitsubishi Tanabe related to a one-time payment of \$105.0 million that we received in 2009. We expect to continue recognizing \$9.6 million of deferred revenues each quarter from the one-time payment of \$105.0 million through the first quarter of 2012.

In the second quarter of 2011, we began recognizing collaborative revenues pursuant to the April 2011 amendment to our collaboration agreement with CFFT.

Costs and Expenses

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010 (in thousands)			2011	2010 (in thousands)		
Cost of product revenues	\$ 5,404	\$ —	\$ 5,404	n/a	\$ 5,404	\$ —	\$ 5,404	n/a
Research and development expenses	173,604	155,082	18,522	12%	332,216	298,094	34,122	11%
Sales, general and administrative expenses	96,663	40,915	55,748	136%	168,186	76,467	91,719	120%
Royalty expenses	3,902	3,086	816	26%	6,568	6,453	115	2%
Restructuring expense	741	2,112	(1,371)	(65)%	1,501	2,892	(1,391)	(48)%
Total costs and expenses	<u>\$ 280,314</u>	<u>\$ 201,195</u>	<u>\$ 79,119</u>	39%	<u>\$ 513,875</u>	<u>\$ 383,906</u>	<u>\$ 129,969</u>	34%

Our operating costs and expenses primarily relate to our research and development expenses and our sales, general and administrative expenses. Our research and development expenses have been increasing due to the expanding scope of activities related to the development of and regulatory submissions for our clinical drug candidates. Our sales, general and administrative expenses have increased substantially as we increased our headcount, expanded our capabilities in preparation for the commercial launch of INCIVEK and began incurring marketing expenses.

Cost of Product Revenues

Our cost of product revenues consists of the costs of producing INCIVEK inventories that correspond to product revenues for the reporting period plus the third-party royalties payable on net sales of INCIVEK. We began capitalizing INCIVEK inventory on January 1, 2011. As a result, we expensed most of the manufacturing costs of INCIVEK sold in the second quarter of 2011 as research and development expenses in periods prior to January 1, 2011. We expect our cost of product revenues to increase as a percentage of net sales in future periods.

Research and Development Expenses

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010 (in thousands)			2011	2010 (in thousands)		
Research expenses	\$ 51,733	\$ 45,776	\$ 5,957	13%	\$ 103,104	\$ 91,730	\$ 11,374	12%
Development expenses	121,871	109,306	12,565	11%	229,112	206,364	22,748	11%
Total research and development expenses	<u>\$ 173,604</u>	<u>\$ 155,082</u>	<u>\$ 18,522</u>	12%	<u>\$ 332,216</u>	<u>\$ 298,094</u>	<u>\$ 34,122</u>	11%

Our research and development expenses include internal and external costs incurred for our drug candidates, including VX-770. We do not assign our internal costs, such as salary and benefits, stock-based compensation expense, laboratory supplies and infrastructure costs, to individual drug candidates, because the employees within our research and development groups typically are deployed across multiple research and development programs. These internal costs are significantly greater than our external costs, such as the costs of services provided to us by clinical research organizations and other outsourced research, which we do allocate by individual drug development program. All research and development costs for our drug candidates are expensed as incurred.

To date, we have incurred in excess of \$4.3 billion in research and development expenses associated with drug discovery and development. The successful development of our drug candidates is highly uncertain and subject to a number of risks. In addition, the duration of clinical trials may vary

substantially according to the type, complexity and novelty of the drug candidate and the disease indication being targeted. The FDA and comparable agencies in foreign countries impose substantial requirements on the introduction of therapeutic pharmaceutical products, typically requiring lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Data obtained from nonclinical and clinical activities at any step in the testing process may be adverse and lead to discontinuation or redirection of development activity. Data obtained from these activities also are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The duration and cost of discovery, nonclinical studies and clinical trials may vary significantly over the life of a project and are difficult to predict. Therefore, accurate and meaningful estimates of the ultimate costs to bring our drug candidates to market are not available.

Over the last several years costs related to INCIVEK have represented the largest portion of the development costs for our clinical drug candidates. We have obtained approval for INCIVEK, but expect to continue to incur telaprevir development costs related to the conduct of additional clinical trials to support potential supplemental applications. We are planning to submit an NDA and an MAA for VX-770 in October 2011 and could begin receiving product revenues from VX-770, if approved, in 2012. Our other drug candidates are less advanced and, as a result, any estimates regarding development and regulatory timelines for these drug candidates are highly subjective and subject to change. We cannot make a meaningful estimate when, if ever, these drug candidates, including the drug candidates we acquired in our ViroChem acquisition and those we in-licensed from Alios, will generate revenues and cash flows.

Research Expenses

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010 (in thousands)			2011	2010 (in thousands)		
Research Expenses:								
Salary and benefits	\$ 17,798	\$ 16,129	\$ 1,669	10%	\$ 35,750	\$ 32,614	\$ 3,136	10%
Stock-based compensation expense	6,634	6,277	357	6%	12,889	11,925	964	8%
Laboratory supplies and other direct expenses	8,258	7,460	798	11%	16,047	15,160	887	6%
Contractual services	2,730	1,321	1,409	107%	5,744	4,259	1,485	35%
Infrastructure costs	16,313	14,589	1,724	12%	32,674	27,772	4,902	18%
Total research expenses	\$ 51,733	\$ 45,776	\$ 5,957	13%	\$ 103,104	\$ 91,730	\$ 11,374	12%

We have maintained a substantial investment in research activities with changes in various categories of expense resulting in increases of 13% and 12% in research expenses in the three and six months ended June 30, 2011, respectively, as compared to the comparable periods in 2010. We expect to continue to invest in our research programs in an effort to identify additional drug candidates.

Development Expenses

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010 (in thousands)			2011	2010 (in thousands)		
Development Expenses:								
Salary and benefits	\$ 31,504	\$ 25,208	\$ 6,296	25%	\$ 61,288	\$ 50,195	\$ 11,093	22%
Stock-based compensation expense	13,819	11,458	2,361	21%	26,113	20,130	5,983	30%
Laboratory supplies and other direct expenses	8,391	8,214	177	2%	15,740	14,447	1,293	9%
Contractual services	35,316	24,677	10,639	43%	63,807	46,898	16,909	36%
Commercial supply costs	9,680	18,549	(8,869)	(48)%	15,394	35,024	(19,630)	(56)%
Infrastructure costs	23,161	21,200	1,961	9%	46,770	39,670	7,100	18%
Total development expenses	<u>\$ 121,871</u>	<u>\$ 109,306</u>	<u>\$ 12,565</u>	11%	<u>\$ 229,112</u>	<u>\$ 206,364</u>	<u>\$ 22,748</u>	11%

In the first half of 2010, our commercial supply costs included both costs of raw materials and work in process that we were producing for the commercial launch of INCIVEK and costs of manufacturing services that we provided our collaborators through our third-party manufacturing network. On January 1, 2011, we began to capitalize our INCIVEK inventory, which resulted in decreases of \$8.9 million and \$19.6 million, respectively, in the commercial supply costs in the three and six months ended June 30, 2011 as compared to the three and six months ended June 30, 2010.

Our development expenses, excluding our commercial supply costs, increased by \$21.4 million, or 24%, in the three months ended June 30, 2011 as compared to the three months ended June 30, 2010, and by \$42.4 million, or 25%, in the six months ended June 30, 2011 as compared to the six months ended June 30, 2010. These increases were primarily due to increased workforce expenses and contractual services expenses. The increased workforce expenses were largely attributable to hiring additional employees in our medical affairs and safety groups in preparation for the commercial launch of INCIVEK.

Sales, General and Administrative Expenses

	Three Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %	Six Months Ended June 30,		Increase/ (Decrease) \$	Increase/ (Decrease) %
	2011	2010 (in thousands)			2011	2010 (in thousands)		
Sales, general and administrative expenses	\$ 96,663	\$ 40,915	55,748	136%	\$ 168,186	\$ 76,467	\$ 91,719	120%

Sales, general and administrative expenses increased substantially in the three and six months ended June 30, 2011 as compared to the comparable periods in 2010, primarily as a result of substantial increases in expenses incurred by our commercial organization, which are classified as sales expenses. The sales expenses increased from \$14.4 million in the second quarter of 2010 to \$62.4 million in the second quarter of 2011 and from \$24.8 million in the first half of 2010 to \$103.4 million in the first half of 2011. These sales expenses include salary and benefits for our sales force and managed market organization, the majority of whom were hired in the second half of 2010, and market research and other third-party expenses incurred in connection with the launch of INCIVEK. We expect that these sales expenses will continue to increase during the remainder of 2011.

Royalty Expenses

Royalty expenses increased by \$0.8 million, or 26%, in the second quarter of 2011 as compared to the second quarter of 2010, and increased by \$0.1 million or 2%, in the first half of 2011 as compared

to the first half of 2010. Royalty expenses primarily relate to a subroyalty payable to a third party on net sales of the HIV protease inhibitors that were discovered and developed under our collaboration with GlaxoSmithKline plc. The subroyalty expense offsets a corresponding amount of royalty revenues. We expect to continue to recognize this subroyalty as an expense in future periods.

Restructuring Expense

As of June 30, 2011, our lease restructuring liability was \$28.2 million. Our restructuring expense was \$0.7 million in the second quarter of 2011 compared to the \$2.1 million in the second quarter of 2010. Our restructuring expense was \$1.5 million in the first half of 2011 compared to the \$2.9 million in the first half of 2010. During the second half of 2011, we expect to make additional cash payments of \$7.4 million against the accrued expense and to receive \$4.7 million in sublease rental payments.

Non-operating Items

Interest Income

Interest income decreased by \$0.3 million to \$0.2 million for the three months ended June 30, 2011 from \$0.5 million for the three months ended June 30, 2010. Interest income increased by \$0.7 million to \$1.6 million for the six months ended June 30, 2011 from \$0.9 million for the six months ended June 30, 2010. Our cash, cash equivalents and marketable securities yielded less than 1% on an annual basis in the second quarter of 2011.

Interest Expense

Interest expense increased by \$3.3 million, or 89%, to \$7.0 million in the second quarter of 2011 from \$3.7 million in the second quarter of 2010. Interest expense increased by \$11.3 million, or 148%, to \$19.0 million in the first half of 2011 from \$7.6 million in the first half of 2010. These increases were primarily the result of the 3.35% convertible senior subordinated notes due 2015, or 2015 Notes, we issued in September 2010. In the second half of 2011, we expect to incur approximately \$6.7 million in interest expense related to the 2015 Notes and that we will continue to incur imputed interest expense related to our 2012 Notes.

Change in Fair Value of Derivative Instruments

In the second quarter of 2011 and 2010, we recorded charges of \$2.2 million and \$27.2 million, respectively, in connection with the embedded and free-standing derivatives associated with our September 2009 financial transactions. In the first half of 2011 and 2010, we recorded charges of \$7.8 million and \$28.7 million, respectively, in connection with the embedded and free-standing derivatives associated with our September 2009 financial transactions. If Janssen obtains approval for and launches INCIVO in the European Union, we expect that we will incur \$18.2 million in additional non-cash charges related to the September 2009 financial transactions. We expect a portion of these charges to be reflected as a change in the fair value of derivative instruments and a portion of these charges to be reflected as interest expense.

Noncontrolling Interest (Alios)

The net loss (gain) attributable to noncontrolling interest (Alios) recorded on our condensed consolidated statements of operations reflects Alios' net (loss) income for the reporting period, excluding revenues related to the up-front payment we made to Alios and adjusted for any changes during the reporting period in the fair value of the contingent milestone and royalty payments

potentially payable by us to Alios. A summary of net loss attributable to noncontrolling interest (Alios) for the second quarter of 2011 is as follows:

	Three Months Ended June 30, 2011
	(in thousands)
Loss of noncontrolling interest (Alios) before provision for income taxes	\$ (801)
Income tax provision (Alios)	(24,448)
Change in fair value of contingent milestone and royalty payments	—
Net loss attributable to noncontrolling interest (Alios)	\$ (25,249)

We reduced our net loss by this \$25.2 million net loss attributable to noncontrolling interest (Alios) in order to determine the net loss attributable to Vertex. For the three and six months ended June 30, 2011, the \$25.2 million net loss represents expenses incurred by Alios between June 13, 2011 and June 30, 2011 that are not reimbursed by us pursuant to our collaboration agreement with Alios and an income tax provision (Alios). In future periods, the net loss (gain) attributable to noncontrolling interest (Alios) could have a material effect on the net loss attributable to Vertex, particularly if there is a significant change in the fair value of the contingent milestone and royalty payments payable by us to Alios.

Liquidity and Capital Resources

At June 30, 2011, we had cash, cash equivalents and marketable securities, excluding Alios' cash and cash equivalents, of \$593.5 million, which was a decrease of \$437.9 million from \$1.0 billion at December 31, 2010. This decrease was the result of cash expenditures we made in the first half of 2011 related to, among other things, research and development expenses, sales, general and administrative expenses, the \$60.0 million up-front payment we made to Alios and capital expenditures for property and equipment of \$15.3 million. These cash expenditures were partially offset by \$88.7 million in cash received from issuances of common stock from employee benefit plans in the first half of 2011. We expect to begin receiving cash flows from INCIVEK in the third quarter of 2011.

We believe that our current cash, cash equivalents and marketable securities, together with our expected cash flows from telaprevir, will be sufficient to fund our operations for at least the next twelve months. If we meet our expectations for sales of INCIVEK, we believe we will begin generating earnings as a cash flow positive company during 2012. If our cash flows from telaprevir, together with cash flows from VX-770, if approved, are not sufficient, we may be required to seek additional capital, significantly curtail or discontinue one or more of our research or development programs, including clinical trials, which could involve significant cash exit costs, or attempt to obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain of our drug candidates.

Sources of Liquidity

We have financed our operations principally through public and private offerings of our equity and debt securities, strategic collaborative agreements that include research and/or development funding, development milestones and royalties on the sales of products, strategic sales of assets or businesses, financial transactions, investment income and proceeds from the issuance of common stock under our employee benefit plans.

Beginning in the third quarter of 2011, we plan to rely on cash flows from product sales as our primary source of liquidity. As of June 30, 2011, we had \$79.0 million in accounts receivable, net related to sales of INCIVEK in the United States. Because our contracts with our distributors provide

for customary prompt payment discounts, we expect that in the third quarter of 2011 our distributors will pay the accounts receivable that were outstanding on June 30, 2011 and we will receive additional payments for a portion of the INCIVEK that is sold to our distributors in the third quarter of 2011. We are seeking approval to market INCIVEK in Canada and plan to submit applications for regulatory approval of VX-770 in the United States and the European Union in October 2011, which could begin providing additional cash flows over the next twelve months. In addition to cash flows from product sales, we expect to begin receiving cash flows from royalties payable by Janssen on INCIVO beginning in early 2012.

We may seek to borrow funds to finance our working capital needs if such financing is available to us. Our existing \$100.0 million credit facility is initially unsecured, but is subject to a number of affirmative and negative covenants, including a liquidity covenant that requires us to maintain cash, cash equivalents and marketable securities of more than \$400.0 million in domestic accounts. If we breach any of these covenants and it results in an event of default, upon the event of default the lender would obtain a security interest in cash, cash equivalents and marketable securities having a margined value of \$100.0 million, which would be transferred to an account controlled by the lender. The credit agreement terminates on July 6, 2012.

Future Capital Requirements

We are incurring substantial expenses to commercialize INCIVEK, while at the same time continuing diversified research and development efforts for our drug candidates and expanding our organization. Our operating expenses have increased in recent periods as we expanded our organization and launched commercial sales of INCIVEK, with our total operating expenses excluding stock-based compensation expense equaling \$248.4 million in the second quarter of 2011 as compared to \$176.7 million in the second quarter of 2010. The adequacy of our available funds to meet our future operating and capital requirements will depend on many factors, including the timing and amounts of revenues generated by telaprevir, the timing of regulatory approvals for VX-770, the number, breadth, cost and prospects of our discovery and development programs, and our decisions regarding manufacturing and commercial investments.

In addition to funding our operating expenses, we have entered into the following transactions that affect our liquidity:

- We had \$105.0 million in 2012 Notes outstanding on June 30, 2011, which was a decrease of \$50.0 million from \$155.0 million on December 31, 2010. The 2012 Notes mature on October 31, 2012, but, pursuant to mandatory redemption provisions set forth in the 2012 Notes, we expect to redeem these 2012 Notes prior to maturity with the proceeds of milestone payments from Janssen. In September 2009, we also sold our rights to receive an additional \$95.0 million of potential future milestone payments that we expect to receive from Janssen for the launch of INCIVO in the European Union. As a result of these transactions, the \$200.0 million of remaining potential milestone payments from Janssen related to the approval and launch of INCIVO in the European Union, if and when earned, will not provide us with liquidity except to the extent that they fund the redemption of the remaining \$105.0 million of our 2012 Notes.
- At June 30, 2011, we had outstanding \$400.0 million in aggregate principal amount of 2015 Notes. The 2015 Notes bear interest at the rate of 3.35% per annum, and we are required to make semi-annual interest payments on the outstanding principal balance of the 2015 Notes on April 1 and October 1 of each year. The 2015 Notes will mature on October 1, 2015. The 2015 Notes are convertible, at the option of the holder, into our common stock at a price equal to approximately \$48.83 per share, subject to adjustment.

Financing Strategy

Although we do not have any plans to do so in the near term, we may raise additional capital through public offerings or private placements of our securities, securing new collaborative agreements or other methods of financing. Any such capital transactions may or may not be similar to transactions in which we have engaged in the past. As part of our strategy for managing our capital structure, we have from time to time adjusted the amount and maturity of our debt obligations through new issues, privately negotiated transactions and market purchases, depending on market conditions and our perceived needs at the time. We expect to continue pursuing a general financial strategy that may lead us to undertake one or more additional transactions with respect to our outstanding debt obligations, and the amounts involved in any such transactions, individually or in the aggregate, may be material. Any such transaction related to our outstanding debt obligations may or may not be similar to transactions in which we have engaged in the past. We will continue to manage our capital structure and to consider all financing opportunities, whenever they may occur, that could strengthen our long-term liquidity profile. There can be no assurance that any such financing opportunities will be available on acceptable terms, if at all.

Contractual Commitments and Obligations

Our commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the Securities and Exchange Commission, or SEC, on February 17, 2011. There have been no material changes from the contractual commitments and obligations previously disclosed in that Annual Report on Form 10-K, as updated by the Form 10-Q for the quarter ended March 31, 2011, which was filed with the SEC on May 6, 2011, except:

- In the second quarter of 2011, we agreed to lease approximately 1.1 million square feet of office and laboratory space in two buildings to be built in Boston, Massachusetts. These leases will commence upon completion of the buildings, scheduled for late 2013, and will extend for 15 years from the lease commencement date. Pursuant to the leases, we will pay an average of approximately \$72.5 million per year in aggregate rent, exclusive of operating expenses, for both buildings during the initial 15-year term of the leases.
- In the second quarter of 2011, we entered into a license and collaboration agreement with Alios. Under the terms of the agreement, Alios is eligible to receive research and development milestone payments of up to \$715.0 million if both compounds are approved and commercialized. We expect to pay up to \$35.0 million in development milestones to Alios in the second half of 2011. Alios also is eligible to receive commercial milestone payments of up to \$750.0 million under the agreement.

Recent Accounting Pronouncements

Refer to Note B, "Accounting Policies—Recent Accounting Pronouncements," in the accompanying notes to the condensed consolidated financial statements. There were no new accounting pronouncements adopted during the six months ended June 30, 2011 that had a material impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As part of our investment portfolio, we own financial instruments that are sensitive to market risk. The investment portfolio is used to preserve our capital until it is required to fund operations, including our research and development activities. None of these market risk-sensitive instruments are held for trading purposes. We do not have derivative financial instruments in our investment portfolio.

Interest Rate Risk

We invest our cash in a variety of financial instruments, principally securities issued by the United States government and its agencies, investment grade corporate bonds and notes and money market instruments. These investments are denominated in United States dollars. All of our interest-bearing securities are subject to interest rate risk and could decline in value if interest rates fluctuate. Substantially all of our investment portfolio consists of marketable securities with active secondary or resale markets to help ensure portfolio liquidity, and we have implemented guidelines limiting the term-to-maturity of our investment instruments. Due to the short maturities of these instruments, we do not believe that we have material exposure to interest rate risk.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, as of June 30, 2011 our disclosure controls and procedures were effective and designed to provide reasonable assurance that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Controls Over Financial Reporting

In the second quarter of 2011, we began generating revenues from sales of INCIVEK in the United States and entered into a collaboration agreement with Alios. The accounting for our net product revenues and the collaboration with Alios is material to our financial position as of June 30, 2011 and results of operations for the three months ended June 30, 2011, and we believe the internal controls and procedures relating to the accounting for net product revenues and the Alios collaboration have a material effect on our internal control over financial reporting. See Note B, "Accounting Policies" and Note K, "Collaborative Arrangements," to our unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q for further details.

We have expanded our Section 404 compliance program under the Sarbanes-Oxley Act of 2002 and the applicable rules and regulations under this act to include controls with respect to our net product revenues and our collaboration with Alios. Except for the controls related to our accounting for net product revenues and our Alios collaboration, no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) occurred during the second quarter of 2011 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1A. Risk Factors

Information regarding risk factors appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on February 17, 2011. There have been no material changes from the risk factors previously disclosed in that Annual Report on Form 10-K.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q and, in particular, our Management's Discussion and Analysis of Financial Condition and Results of Operations set forth in Part I—Item 2, contain or incorporate a number of forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements regarding:

- our expectations regarding clinical trials, development timelines and regulatory authority filings and submissions for INCIVEK, VX-770, VX-222, VX-809, VX-509, VX-765, VX-661, VX-787, ALS-2158 and ALS-2200, including our expectations regarding regulatory authorities' timelines for review of our New Drug Submission for INCIVEK in Canada, and Janssen's MAA for INCIVO in the European Union, and the possibility that we could submit an NDA and an MAA for VX-770 in October 2011;
- our statement regarding the possibility that we could begin generating earnings as a cash flow positive company in 2012;
- our ability to successfully market INCIVEK;
- preliminary valuations and allocations related to the Alios collaboration;
- our expectations regarding the timing and structure of clinical trials of our drug and drug candidates, including telaprevir, VX-770, VX-222, VX-509, VX-765, VX-661, VX-787, ALS-2158 and ALS-2200 and combinations of telaprevir with VX-222 and VX-770 with VX-809 or VX-661, and the timing of our receipt of data from our clinical trials;
- expectations regarding the amount of, timing of and trends with respect to our revenues, costs and expenses and other gains and losses, including those related to future product revenues and potential royalty revenues from sales of telaprevir, to potential milestone payments from Janssen, to the intangible assets associated with the ViroChem acquisition and the Alios collaboration, to gain (losses) with respect to the noncontrolling interest (Alios) and to the liabilities we recorded in connection with the September 2009 financial transactions;
- the data that will be generated by ongoing and planned clinical trials and the ability to use that data to support regulatory filings, including potential applications for marketing approval for VX-770;
- our beliefs regarding the support provided by clinical trials and preclinical and nonclinical studies of our drug candidates for further investigation, clinical trials or potential use as a treatment;
- the focus of our drug development efforts and our financial and management resources and our plan to continue investing in our research and development programs and to develop and commercialize selected drug candidates that emerge from those programs, alone or with third-party collaborators;
- the establishment, development and maintenance of collaborative relationships;

- our ability to use our research programs to identify and develop new drug candidates to address serious diseases and significant unmet medical needs;
- statements regarding our leases of buildings to be built in Boston, Massachusetts;
- our estimates regarding obligations associated with a lease of a facility in Kendall Square, Cambridge, Massachusetts; and
- our liquidity and our expectations regarding the possibility of raising additional capital.

Without limiting the foregoing, the words "believes," "anticipates," "plans," "intends," "expects" and similar expressions are intended to identify forward-looking statements. Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in this Quarterly Report on Form 10-Q will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from expected results. We also provide a cautionary discussion of risks and uncertainties under "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2010, which was filed with the SEC on February 17, 2011, and updated and supplemented by "Part II—Item 1A—Risk Factors" of this Quarterly Report on Form 10-Q. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed could also adversely affect us. In addition, the forward-looking statements contained herein represent our estimate only as of the date of this filing and should not be relied upon as representing our estimate as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Repurchases of Equity Securities

The table set forth below shows all repurchases of securities by us during the three months ended June 30, 2011:

<u>Period</u>	<u>Total Number of Shares Purchased</u>	<u>Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number of Shares That May Yet be Purchased under Publicly Announced Plans or Programs</u>
April 1, 2011 to April 30, 2011	31,158	\$ 0.01	—	—
May 1, 2011 to May 31, 2011	16,986	\$ 0.01	—	—
June 1, 2011 to June 30, 2011	24,957	\$ 0.01	—	—

The repurchases were made under the terms of our 2006 Stock and Option Plan. Under this plan, we award shares of restricted stock to our employees and consultants that typically are subject to a lapsing right of repurchase by us. We may exercise this right of repurchase in the event that a restricted stock recipient's service to us is terminated. If we exercise this right, we are required to repay the purchase price paid by or on behalf of the recipient for the repurchased restricted shares, which typically is the par value per share of \$0.01. Repurchased shares are returned to the 2006 Stock and Option Plan and are available for future awards under the terms of that plan.

Item 6. Exhibits

Exhibit No.	Description
10.1	License and Collaboration Agreement, dated June 13, 2011, by and between Alios BioPharma, Inc. and Vertex Pharmaceuticals Incorporated and Vertex Pharmaceuticals (Switzerland) LLC.†
10.2	Research, Development and Commercialization Agreement, dated May 24, 2004, between Vertex Pharmaceuticals Incorporated and Cystic Fibrosis Foundation Therapeutics Incorporated.†
10.3	Amendment No. 5 to Research, Development and Commercialization Agreement, effective as of April 1, 2011, between Vertex Pharmaceuticals Incorporated and Cystic Fibrosis Foundation Therapeutics Incorporated.†
10.4	Lease, dated May 5, 2011, between Fifty Northern Avenue LLC and Vertex Pharmaceuticals Incorporated. †
10.5	Lease, dated May 5, 2011, between Eleven Fan Pier Boulevard LLC and Vertex Pharmaceuticals Incorporated. †
31.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance*
101.SCH	XBRL Taxonomy Extension Schema*
101.CAL	XBRL Taxonomy Extension Calculation*
101.LAB	XBRL Taxonomy Extension Labels*
101.PRE	XBRL Taxonomy Extension Presentation*
101.DEF	XBRL Taxonomy Extension Definition*

* Pursuant to applicable securities laws and regulations, we will be deemed to have complied with the reporting obligation relating to the submission of interactive data files in such exhibits and will not be subject to liability under any anti-fraud provisions of the federal securities laws with respect to such interactive data files as long as we have made a good faith attempt to comply with the submission requirements and promptly amend the interactive data files after becoming aware that the interactive data files fail to comply with the submission requirements. Users of this data are advised that, pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed and otherwise are not subject to liability, except as provided by applicable securities laws and regulations.

† Confidential portions of this document have been filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

August 9, 2011

VERTEX PHARMACEUTICALS INCORPORATED

By:

/s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer
(principal financial officer and
duly authorized officer)

Confidential Treatment Requested
Confidential portions of this document have been redacted and have been separately filed with the Commission

Execution Version

LICENSE AND COLLABORATION AGREEMENT

BY AND BETWEEN

ALIOS BIOPHARMA, INC.

AND

VERTEX PHARMACEUTICALS INCORPORATED

AND

VERTEX PHARMACEUTICALS (SWITZERLAND) LLC

DATED

June 13, 2011

Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

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Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

LICENSE AND COLLABORATION AGREEMENT

THIS LICENSE AND COLLABORATION AGREEMENT (this “**Agreement**”) is entered into on June 13, 2011 (“**Execution Date**”) by and between Alios BioPharma, Inc., a corporation organized under the laws of the State of Delaware, having offices at 260 East Grand Avenue, 2nd Floor, South San Francisco, California 94080, United States of America (“**Alios**”) and Vertex Pharmaceuticals Incorporated, a Massachusetts corporation having offices at 130 Waverly Street, Cambridge, Massachusetts 02139, United States of America, and its wholly-owned subsidiary Vertex Pharmaceuticals (Switzerland) LLC (together, “**Vertex**”). Alios and Vertex are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**.”

RECITALS

1. Alios is engaged in the discovery and development of novel small molecule pharmaceuticals to treat viral disease using its proprietary nucleoside/nucleotide chemistries.
2. Vertex is engaged in the discovery, development, manufacture and marketing of human pharmaceutical products, including INCIVEK™ (telaprevir) and other product candidates, for the treatment of chronic hepatitis C, and for other diseases and indications.

3. Alios is developing novel compounds for the treatment of chronic hepatitis C, and Alios owns or has rights under certain patents, patent applications, other valuable technology and know-how relating to such compounds.

4. Vertex and Alios wish to collaborate on the research, development and commercialization of Licensed Products and/or Combination Products (defined below) for the treatment of chronic hepatitis C according to the terms and conditions of this Agreement.

5. In consideration of the premises and of the mutual covenants and obligations set forth herein, the Parties hereby agree as set out below.

ARTICLE 1 DEFINITIONS

The following capitalized terms shall have the following meanings:

1.1 “Affiliate” means any individual, corporation, association or other business entity which directly or indirectly controls, is controlled by or is under common control with the Party in question. As used in this definition of “Affiliate,” the term “control” means the direct or indirect ownership of more than fifty percent (50%) of the stock having the right to vote for directors thereof or the ability to otherwise control the management of the corporation, association or other business entity whether through the ownership of voting securities, by contract, resolution, regulation or otherwise.

1.2 “Alios Compound” [*].**

Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

1.3 “Alios’ FTE Rate” means Alios’ [***]. Alios’ FTE rate for the period from the Effective Date until December 31, 2012 shall be [***] per Calendar Year per FTE. Alios’ FTE rate shall be adjusted annually thereafter by a percentage equal to the percentage change in the Bureau of Labor Statistics consumer price index for the San Francisco Bay area over the [***] month period reported in such index prior to the Effective Date.

1.4 “Alios IP” means Alios Patent Rights, Alios IP Improvements, and Alios Know-How.

1.5 “Alios IP Improvement(s)” means any Improvement that (a) falls within at least one Valid Claim of the Alios Patent Rights existing as of the date such Improvement was conceived; or (b) is a derivative of one or more Alios Compounds, Licensed Compounds or Licensed Products.

1.6 “Alios Know-How” means any Know-How Controlled by Alios at any time during the Term that relates to the use, Manufacture, or composition of matter of any Licensed Compound or Licensed Product.

1.7 “Alios Patent Rights” means any Joint Patent or Patent Right Controlled by Alios at any time during the Term that claims the use, Manufacture, or composition of matter of any Licensed Compound or Licensed Product. The Alios Patent Rights in existence as of the Effective Date are set forth on Schedule 1.7 (Alios Patent Rights) to this Agreement.

1.8 “ALS-2158” means the Alios Compound described in Schedule 1.8 (ALS-2158) to this Agreement, [***].

1.9 “ALS-2200” means the Alios Compound described in Schedule 1.9 (ALS-2200) to this Agreement, [***].

1.10 “API” means active pharmaceutical ingredient, which is also commonly referred to as drug substance. For the avoidance of doubt, API shall include any prodrug form.

1.11 “Applicable Laws” means all laws, statutes, ordinances, codes, rules and regulations which have been enacted by a Governmental Authority and are in force as of the Effective Date or come into force during the Term, in each case to the extent that the same are applicable to the performance by the Parties of their respective obligations under this Agreement. For purposes of this Agreement, good clinical practices (“GCP”), GLP and GMP shall be deemed to be within the term “Applicable Laws.”

1.12 “Approval Application” means any NDA or equivalent application (such as a Marketing Authorization Approval (“MAA”) in the EU) necessary and appropriate to obtain a Regulatory Approval, together with all required documents, data and information concerning any Licensed Product or Combination Product which is the subject of such application. For clarity, “Approval Application” shall not include an IND.

1.13 “Back-Up Compound” means [***].

Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

1.14 “Business Day” means a day other than Saturday, Sunday or any day on which commercial banks located in San Francisco, California or Boston, Massachusetts are authorized or obligated by Applicable Law to close.

1.15 “Calendar Quarter” means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31; *provided, however*, that (a) the first Calendar Quarter of any particular period shall extend from the commencement of such period to the end of the first complete Calendar Quarter thereafter; and (b) the last Calendar Quarter shall end upon the expiration or termination of this Agreement.

1.16 “Calendar Year” means (a) for the first Calendar Year of the Term, the period beginning on the Effective Date and ending on December 31, 2011, (b) for each Calendar Year of the Term thereafter, each successive period beginning on January 1 and ending twelve (12) consecutive calendar months later on December 31, and (c) for the last Calendar Year of the Term, the period beginning on January 1 of the Calendar Year in which the Agreement expires or terminates and ending on the effective date of expiration or termination of this Agreement.

1.17 “Change of Control” means a transaction or series of related transactions that result in (a) the holders of outstanding voting securities of a Party immediately prior to such transaction ceasing to represent at least [***] of the combined outstanding voting power of the surviving entity immediately after such transaction; (b) any Third Party (other than a trustee, financial investor, or other fiduciary holding securities under an employee benefit plan) becoming the beneficial owner of [***] or more of the combined voting power of the outstanding securities of a Party; or (c) a sale or other disposition to a Third Party of all or substantially all of a Party’s assets or business; *provided, however*, that, notwithstanding (a), (b), or (c) above, a stock sale to financial investors for capital raising purposes or to underwriters of a public offering of such Party’s capital stock shall not constitute a Change of Control.

1.18 “Clinical Development” means, with respect to a Licensed Product or Combination Product, [***] as the case may be, [***].

1.19 “[*] Milestone Event”** means that the [***].

1.20 “Clinical Trials” means Phase 1 Clinical Trials, Phase 2 Clinical Trials, Phase 3 Clinical Trials, Phase 4 Clinical Trials, and Post-Approval Commitment Studies and their foreign equivalents.

1.21 “Collaboration” means all activities by the Parties under this Agreement.

1.22 “Combination Product” means [***].

1.23 “Commercialization” or **“Commercialize”** means, with respect to a Licensed Product or Combination Product, any and all activities directed to the marketing, promotion, distribution, offering for sale, and selling of such Licensed Product or Combination Product, importing and exporting such of Licensed Product or Combination Product for sale, and interacting with Regulatory Authorities regarding the foregoing. Commercialization shall also include Phase 4 Clinical Trials.

3

Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

1.24 “Control” means, with respect to intellectual property, that the Party named as having Control owns such intellectual property, or otherwise possesses the ability to grant a license, sublicense or other rights under or with respect to such intellectual property without violating the terms of any agreement between that Party and a Third Party.

1.25 “Development” or **“Develop”** means the combination of activities directly and specifically relating to the Pre-Clinical Testing, IND-Enabling Studies, and Clinical Development of a Licensed Compound, Licensed Product or Combination Product, including [***].

1.26 “Development Plan” means the development plan attached hereto as **Exhibit B**, as it may be amended from time to time in accordance with the terms of this Agreement.

1.27 “Development Work” means the Development of Licensed Compounds, Licensed Products and/or Combination Products.

1.28 “Effective Date” means the later of (a) the Execution Date or (b) if an HSR Filing is made, the second Business Day immediately following the HSR Clearance Date.

1.29 “EMA” means the European Medicines Agency, and any successor thereto.

1.30 “EU” means the European Union, as it exists from time to time.

1.31 “FDA” means the United States Food and Drug Administration, and any successor thereto.

1.32 “FD&C Act” means the United States Federal Food Drug and Cosmetic Act, as amended (21 U.S.C. §302 et seq.).

1.33 “Field” means the prophylaxis, treatment, amelioration, mitigation, and diagnosis of human diseases and conditions.

1.34 “First Commercial Sale” means the first sale of a Licensed Product or Combination Product by Vertex, its Affiliates or its Sublicensees (including its co-promotion and co-marketing partners) for use or consumption of such Licensed Product or Combination Product. Sale of a Licensed Product or Combination Product by Vertex to an Affiliate of Vertex or a Sublicensee of Vertex shall not constitute a First Commercial Sale unless such Affiliate or such Sublicensee is the end user of the Licensed Product or Combination Product.

1.35 “Follow-on Compound” means an [***].

1.36 “Full Time Equivalent” or **“FTE”** means the full time equivalent effort of one (1) Person who participates directly in the activities under the Research Program or Development Program on behalf of Alios or Vertex, as the case may be. For purposes of this Agreement “full time equivalent effort” means [***] per Calendar Year by such Person. For the avoidance of doubt, employees who work fewer than [***] in a Calendar Year (whether via working a partial year or part-time) are included in an FTE, *provided* their hours are combined so as to complete one FTE. By way of example, but not limitation, an employee working [***] in a given Calendar Year would be combined with an employee working [***] in the same Calendar Year to form one (1) FTE.

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Similarly, any employee can be allocated at a percentage of time equaling less than one hundred percent (100%) of their work Calendar Year, *provided that* FTEs are calculated [***] increments.

1.37 “GAAP” means United States generally accepted accounting principles, consistently applied.

1.38 “GLP” means, as to the United States and the EU, applicable good laboratory practices as in effect in the United States and the EU, respectively, during the Term and, with respect to any other jurisdiction, laboratory practices equivalent to good laboratory practices as then in effect in the United States or the EU.

1.39 [***] Milestone Event [***].

1.40 “GMP” means, as to the United States and the EU, applicable good manufacturing practices as in effect in the United States and the EU, respectively, during the Term and, with respect to any other jurisdiction, manufacturing practices equivalent to good manufacturing practices as then in effect in the United States or the EU.

1.41 “Governmental Authority” means any supranational, national, regional, state or local government, court, governmental agency, authority, board, bureau, instrumentality or regulatory body.

1.42 “HCV Field” means the prophylaxis, treatment, amelioration, mitigation, or diagnosis of Hepatitis C Virus infection.

1.43 “Hepatitis C Virus” or “HCV” means the hepatitis C virus of the flaviviridae family of viruses, including all genotypes, subtypes, and quasispecies of HCV.

1.44 “HSR Act” means the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations promulgated thereunder.

1.45 “HSR Clearance Date” means the earliest date on which the Parties have actual knowledge that all applicable waiting periods under the HSR Act with respect to the transactions contemplated hereunder have expired or have been terminated.

1.46 “HSR Filing” means filings by Vertex and Alios with the United States Federal Trade Commission and the Antitrust Division of the United States Department of Justice of a Notification and Report Form for Certain Mergers and Acquisitions (as that term is defined in the HSR Act) with respect to the matters set forth in this Agreement, together with all required documentary attachments thereto.

1.47 “Improvement(s)” means any future new or useful discovery, invention, contribution, finding, or improvement, whether or not patentable, and all related Know-How, that is conceived, reduced to practice or otherwise developed by Alios or Vertex, either solely or jointly, as the case may be.

1.48 “IND” means (a) an Investigational New Drug application, as defined in the FD&C Act and the regulations promulgated thereunder, filed with or submitted to the FDA pursuant to Part

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312 of Title 21 of the U.S. Code of Federal Regulations, including any amendments thereto, or a foreign equivalent filing with a Regulatory Authority, such as a Clinical Trial Application in the EU or Canada, necessary to commence Clinical Trials, and (b) all supplements and amendments that may be filed with respect to any of the foregoing.

1.49 “IND-Enabling Studies” means studies comprising *in vitro* testing and *in vivo* animal testing on Licensed Compounds and/or Licensed Products, conducted under GLP, the protocol and results of which are included in or used to support an IND, including [***].

1.50 “Joint Compound(s)” means any [***] invented jointly by Alios and Vertex.

1.51 “Joint IP” means any invention, development, or discovery, whether or not patentable, made or created during the course of performance of the Research Work or the Development Work jointly by (a) employees or agents of Alios or any of its Affiliates, and (b) employees or agents of Vertex or any of its Affiliates, and consequent Joint Patents.

1.52 “Joint Patents” means all Joint IP that constitute Patent Rights that are filed by or on behalf of Alios and/or Vertex or an Affiliate of either pursuant to **Section 9.3 (Prosecution and Maintenance of Joint Patents; Abandonment)**.

1.53 “Know-How” means information, data and proprietary rights of any type whatsoever (other than the Patent Rights) in any tangible or intangible form whatsoever, including inventions, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data (including pharmacological, biological, chemical, biochemical, toxicological, Pre-Clinical Testing, IND-Enabling Studies, and Clinical Development data), analytical and quality control data, stability data, results of studies, technical drawings, regulatory requirements and strategies, business processes, price data and information, marketing data and information, sales data and information, marketing plans and market research, and related copyrights, and other similar information.

1.54 “Lead Compound” means ALS-2158 or ALS-2200.

1.55 “**Licensed Compound**” means a Lead Compound, a Selected Back-Up Compound, or a Selected Follow-on Compound.

1.56 “**Licensed Product(s)**” means any pharmaceutical preparation or formulation (also commonly referred to as drug product) containing one or more Licensed Compounds [***].

1.57 “**Major Market Countries**” means (a) with respect to [***] and (b) with respect to the [***], the [***].

1.58 “**Manufacture**” means all activities related to the manufacturing of a Licensed Compound and/or Licensed Product and/or Combination Product, API or any inactive component or ingredient thereof, including test method development and stability testing, formulation, process development, manufacturing scale-up, manufacturing API, Licensed Product and/or Combination Product quality assurance/quality control development, quality control testing (including in-process, in-process release and stability testing), packaging, release of Licensed Compound, Licensed

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Product or Combination Product, API, or any inactive component or ingredient thereof, quality assurance activities related to manufacturing and release of Licensed Compound, Licensed Product and/or Combination Product, API, or any inactive component or ingredient thereof, and regulatory activities related to all of the foregoing. “Manufactured” and “Manufacturing” have a correlative meaning.

1.59 “**NDA**” means a New Drug Application that is submitted to the FDA for marketing approval for a Licensed Product or Combination Product, under Section 505 of the FD&C Act (21 USC §355), and its associated regulations.

1.60 “**Net Sales**” means the aggregate gross amount invoiced by Vertex or its Affiliates or Sublicensees, on all sales or transfers for consideration of a Licensed Product or a Combination Product (subject in the case of a Combination Product to the last paragraph of this definition) in the Territory to a Third Party, less the following deductions, as determined in accordance with GAAP:

(a) [***];

(b) trade, quantity and cash discounts and any other adjustments, including those granted on account of price adjustments, billing errors, rejected goods, damaged goods, returns, recalls, rebates, chargeback rebates, reasonable fees, reimbursements or similar payments granted or given to wholesalers or other distributors, buying groups, health care insurance carriers, managed care entities or other institutions, including any government-mandated rebates;

(c) freight, packing, handling, shipping, postage and insurance charges;

(d) customs or excise taxes, including import duties, sales tax and other taxes (except income taxes) or duties relating to importation, use or sales of Licensed Product or Combination Product; and

(e) distribution, packing, handling and transportation charges for such Licensed Product or Combination Product.

The foregoing adjustments shall be documented and included in the invoiced price of Licensed Product or Combination Product or otherwise directly paid or incurred by Vertex or its Affiliates or Sublicensees without reimbursement, other than payment by a Third Party customer.

In the event a Combination Product is sold, then the Net Sales for any such Combination Product shall be determined [***].

1.61 “**Outside Contractor**” means any Person, other than a Sublicensee, contracted by Alios or Vertex to provide products or services, including pre-clinical services, contract Manufacturing services, and regulatory services, which are material to the performance of its responsibilities under the Research Program or the Development Program or are material to a Licensed Product or Combination Product or any component or ingredient therein, including any such arrangements which might result in any work product or other information that Alios or Vertex would include or might reasonably be expected to include in any document or report, including an

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Approval Application submitted to a Governmental Authority or be subject to review by a Governmental Authority, including the FDA.

1.62 “**Patent Costs**” means all preparation, filing, prosecution and maintenance out-of-pocket fees and expenses, actually incurred in connection with the establishment and maintenance of rights under the Patent Rights.

1.63 “**Patent Rights**” means any and all (a) United States or foreign patents; (b) United States or foreign patent applications including all provisional applications, substitutions, continuations, continuations-in-part, divisions, renewals, and all patents granted thereon; (c) United States or foreign patents-of-addition, reissues, reexaminations and extensions or restorations by existing or future extension or restoration mechanisms, including supplementary protection certificates or the equivalent thereof; and (d) any other form of government-issued right substantially similar to any of the foregoing.

1.64 “**Person**” means any person or legal entity.

1.65 “Phase 1 Clinical Trial” means a human clinical study as described in 21 C.F.R. § 312.21(a), as amended, or a similar clinical study prescribed by the Regulatory Authorities in a foreign country.

1.66 “Phase 1a Clinical Trial” means a single ascending dose (“SAD”) Phase 1 Clinical Trial of a pharmaceutical product, the principal purpose of which is a preliminary determination of safety and pharmacokinetic parameters in healthy individuals.

1.67 “Phase 1b Clinical Trial” means a multiple ascending dose (“MAD”) Phase 1 Clinical Trial of a pharmaceutical product, the principal purpose of which is a further determination of safety, pharmacokinetic, and pharmacodynamic (i.e., measurement of plasma HCV RNA) parameters of the pharmaceutical product in patients.

1.68 “[***] Milestone Event” means that [***].

1.69 “Phase 2 Clinical Trial” means a human clinical study as described in 21 C.F.R. § 312.21(b), as amended, or a similar clinical study prescribed by the Regulatory Authorities in a foreign country.

1.70 “Phase 2a Clinical Trial” means a Phase 2 Clinical Trial of a pharmaceutical product, the principal purpose of which is to establish a dose range, appropriate combinations, and further safety and tolerability over a longer duration of dosing, and initial efficacy.

1.71 “[***] Milestone Event” means [***].

1.72 “Phase 2b Clinical Trial” means a Phase 2 Clinical Trial of a pharmaceutical product, the principal purpose of which is to establish a dose range, appropriate combinations, and further safety and tolerability over a longer duration of dosing, and initial efficacy on a sufficient number of patients and for a sufficient period of time to confirm the optimal manner of use of such product (in terms of dose and dose regimen) prior to initiation of the pivotal Phase 3 Clinical Trials.

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1.73 “[***] Milestone Event” means [***].

1.74 “Phase 3 Clinical Trial” means a human clinical study as described in 21 C.F.R. § 312.21(c), as amended, or a similar clinical study prescribed by the Regulatory Authorities in a foreign country.

1.75 “Phase 4 Clinical Trials” means clinical trials of a pharmaceutical product commenced for the purpose of generating data for purposes of marketing the applicable product and not for the purpose of obtaining Regulatory Approval, which are commenced after receipt of Regulatory Approval for such pharmaceutical product, as described in 21 C.F.R. § 312.85, as amended, or a similar clinical study prescribed by the Regulatory Authorities in a foreign country.

1.76 “Post-Approval Commitment Studies” means clinical studies mandated by FDA (or other Regulatory Authorities) to be performed after approval of a Licensed Product or Combination Product, as a condition of such approval.

1.77 “Pre-Clinical Testing” means *in vitro* and *in vivo* testing, including pharmacological profiling, biochemical, cell-based, replicon studies, and initial *in vivo* screening and initial safety, needed to evaluate the Licensed Compounds [***].

1.78 “Reasonable Commercial Efforts” means, with respect to the efforts to be expended by any Person with respect to any objective, [***].

1.79 “Regulatory Approval” means, with respect to a country or, where applicable, a multinational jurisdiction, any approvals, licenses, registrations or authorizations necessary for the Commercialization of a Licensed Product or Combination Product in such country or such jurisdiction.

1.80 “Regulatory Authority” means any national (e.g., the FDA), supranational (e.g., the EMA), regional, state or local regulatory agency, department bureau, commission, council or other government entity in any jurisdiction of the world involved in the granting of Regulatory Approval for pharmaceutical products.

1.81 “Research Payment” means the [***] amount of [***].

1.82 “Research Plan” means the initial research plan attached to this Agreement as **Exhibit A**, as it may be amended from time to time in accordance with the terms of this Agreement.

1.83 “Research Term” means the period commencing on the Effective Date and expiring [***] thereafter, unless terminated earlier by mutual written agreement or extended at Vertex’s option as set forth in the Research Plan.

1.84 “Research Work” means the research to be conducted by the Parties under the Research Program during the Research Term.

1.85 “Royalty Term” means, with respect to a Licensed Product or Combination Product in a country, the period commencing on the First Commercial Sale of such Licensed

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Product or Combination Product in such country and ending on the later of (a) the expiration of the term of the last Valid Claim [***] ten (10) years after such First Commercial Sale.

1.86 [Intentionally Omitted.]

1.87 “Selected Back-Up Compound” means a Back-Up Compound selected by Vertex pursuant to Section 3.2 (Selection of Selected Back-Up Compounds and Selected Follow-on Compounds).

1.88 “Selected Follow-on Compound” means a Follow-on Compound selected by Vertex pursuant to Section 3.2 (Selection of Selected Back-Up Compounds and Selected Follow-on Compounds).

1.89 “Sublicensee” means an authorized or permitted sublicensee of Vertex.

1.90 “Technical Failure” with respect to a Licensed Compound means either [***].

1.91 “Territory” means worldwide.

1.92 “Third Party” means any Person other than Alios or Vertex or their respective Affiliates.

1.93 “Third Party Costs” means amounts actually incurred and paid to Outside Contractors by a Party that are incurred as the result of research, Development, Manufacturing or Commercialization of Licensed Compounds, Licensed Products and/or Combination Products.

1.94 “United States” means the District of Columbia, the fifty (50) United States of America, and its territories and possessions.

1.95 “Valid Claim” means (a) any claim of an issued, unexpired patent that has not been held unenforceable, unpatentable or invalid by a decision of a court or other governmental agency of competent jurisdiction following exhaustion (or expiration) of all possible appeal processes, and that has not been admitted to be invalid or unenforceable through reissue, reexamination or disclaimer or has not been made unenforceable due to a failure to pay maintenance fees, or (b) any composition of matter, article of manufacture or method of use claim contained in an application for a patent that has been pending for less than ten (10) years.

1.96 “Vertex FTE Rate” means Vertex’s [***]. Vertex’s FTE rate for the period from the Effective Date until [***] shall be [***] dollars ([***)] per Calendar Year per FTE. The Vertex FTE Rate shall be adjusted annually thereafter by a percentage equal to the percentage change in the Bureau of Labor Statistics consumer price index for the Boston, Massachusetts area over the last [***] period reported in such index prior to the Effective Date.

1.97 “Vertex IP” means Vertex Patent Rights and Vertex Know-How.

1.98 “Vertex Know-How” means any Know-How Controlled by Vertex that relates to the use, Manufacture, or composition of matter of any Licensed Compound and that (a) is

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Controlled by Vertex as of the Effective Date or (b) is discovered, created or developed in the course of Vertex’s performance of the Research Program or Development Program.

1.99 “Vertex Patent Rights” means all Patent Rights Controlled by Vertex or any of its Affiliates that (a) are necessary for the Development, Manufacture, and/or Commercialization of Licensed Compounds or Licensed Products or (b) claim or disclose inventions Controlled by Vertex or any of its Affiliates that are conceived or reduced to practice in the course of either Vertex’s performance of the Development Program or Research Program, or of Manufacturing activities, under this Agreement.

1.100 “Washout Period” shall mean the period between the [***].

The following terms are defined in the body of this Agreement:

1.101 “Agreement” has the meaning set forth in the first paragraph of this Agreement.

1.102 “Alios” has the meaning set forth in the first paragraph of this Agreement.

1.103 “Accelerated Rules” has the meaning set forth in Section 14.3.3 (Accelerated Arbitration).

1.104 “Alliance Manager” has the meaning set forth in Section 2.1.8 (Alliance Managers).

1.105 “Appeal Arbitrator” has the meaning set forth in Section 14.3.2(g) (Arbitration).

1.106 “Confidential Information” has the meaning set forth in Section 10.1 (Confidentiality; Exceptions).

1.107 “Confidentiality Agreement” has the meaning set forth in Section 10.1 (Confidentiality; Exceptions).

1.108 “CPR” has the meaning set forth in Section 14.3.2 (Arbitration).

1.109 “Development Program” has the meaning set forth in Section 4.1 (Scope of Development).

- 1.110 “**Disclosing Party**” has the meaning set forth in **Section 10.1 (Confidentiality; Exceptions)**.
- 1.111 “**Execution Date**” has the meaning set forth in the first paragraph of this Agreement.
- 1.112 “[***]” has the meaning set forth in **Section 2.1.4(h) (Change of Control or Assignment)**.
- 1.113 “**Indemnitee**” has the meaning set forth in **Section 12.3 (Indemnification Procedure)**.

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- 1.114 “**Indemnitor**” has the meaning set forth in **Section 12.3 (Indemnification Procedure)**.
- 1.115 “**Infringement**” has the meaning set forth in **Section 9.5.1 (Notice)**.
- 1.116 “**Joint Operational Team**” has the meaning set forth in **Section 2.1.5 (Joint Operational Teams)**.
- 1.117 “**Joint Steering Committee**” or “**JSC**” has the meaning set forth in **Section 2.1.4 (Joint Steering Committee)**.
- 1.118 “**Losses**” has the meaning set forth in **Section 12.1 (Indemnification by Vertex)**.
- 1.119 “**Minimum Requirements**” has the meaning set forth in **Section 2.1.1(b) (Generally)**.
- 1.120 “**Party**” or “**Parties**” has the meaning set forth in the first paragraph of this Agreement.
- 1.121 “[***]” has the meaning set forth in **Section 9.1.4 (Assigned Rights)**.
- 1.122 “**Receiving Party**” has the meaning set forth in **Section 10.1 (Confidentiality; Exceptions)**.
- 1.123 “**Research Program**” has the meaning set forth in **Section 3.1 (Term of the Research Program)**.
- 1.124 “**Responsible Executive**” has the meaning set forth in **Section 14.3 (Dispute Resolution)**.
- 1.125 “**Right**” has the meaning set forth in **Section 15.6 (Waiver)**.
- 1.126 “**Royalty(ies)**” has the meaning set forth in **Section 7.6 (Royalties)**.
- 1.127 “**Selected Regimen**” has the meaning set forth in **Section 4.6 (Selected Regimen)**.
- 1.128 “**SVR**” has the meaning set forth in **Section 1.71**.
- 1.129 “**Term**” has the meaning set forth in **Section 13.1.1 (Expiration)**.
- 1.130 “**Transition Plan**” has the meaning set forth in **Section 4.3 (Transition Plan)**.
- 1.131 “**Vertex**” has the meaning set forth in the first paragraph of this Agreement.
- 1.132 “**Vertex Trademarks**” has the meaning set forth in **Section 9.8.1 (Ownership)**.

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ARTICLE 2 OVERVIEW AND MANAGEMENT OF THE COLLABORATION

2.1 Overview

2.1.1 Generally. The Parties intend to collaborate on the research, development and commercialization of certain anti-HCV nucleotide prodrugs and nucleoside prodrugs discovered by Alios, including the Lead Compounds, for the treatment of chronic Hepatitis C. On the Effective Date and pursuant to the terms of this Agreement, Alios shall commence the Research Work in accordance with the Research Plan and the Development Work in accordance with the Development Plan. It is the Parties’ intention that Alios shall be responsible for Development of the Lead Compounds through completion of Phase 1 Clinical Trials for the Lead Compounds. Upon completion of the Phase 1 Clinical Trials for a Lead Compound, Alios shall promptly assign the IND(s) for such Lead Compound to Vertex. [***]. Upon completion of all Phase 1 Clinical Trials for a Lead Compound, Alios shall transfer all responsibility for Development of such Lead Compound to Vertex, and Vertex shall be responsible to Develop and Commercialize Licensed Product(s) or Combination Product(s) containing such Lead Compound as set forth in this Agreement.

(a) **Research.** Alios shall conduct the Research Work upon the terms set out in this Agreement and in the Research Plan. The Research Plan shall not be amended without the written consent of the Parties. Alios shall conduct the Research Program in good scientific manner and

in compliance in all material respects with all Applicable Laws to achieve the goals of the Research Program efficiently and expeditiously.

(b) **Development.** Vertex and Alios each shall use Reasonable Commercial Efforts to perform its obligations under the Development Program upon the terms set forth in this Agreement and the Development Plan. Subject to the minimum requirements set forth in the Development Plan (“**Minimum Requirements**”), which Minimum Requirements shall not be amended without the consent of Alios, the Development Plan shall be subject to review and update by the JSC as necessary to address all relevant data and information as they become available, but in any event not less frequently than once per year. Subject to such review and amendment by the JSC, the Development Plan will set forth expectations with respect to the relative contributions of each Party to the Development Program. Each Party shall perform its obligations under the Development Plan in good scientific manner and in compliance with Applicable Laws, GCP, GMP and GLP, and, subject to appropriate notification and discussion with the other Party, shall have the authority to fulfill its regulatory responsibilities with respect to Clinical Trials for which it serves as the sponsor. Vertex will be responsible for its own costs in performing its obligations under the Development Plan.

(c) **Selected Regimen(s)/Diligence.** Upon completion of the Phase 2a Clinical Trials, Vertex may, in accordance with **Section 4.6 (Selected Regimen)**, choose a Selected Regimen or Selected Regimens for further Development. Upon choosing a Selected Regimen, Vertex shall use Reasonable Commercial Efforts to Develop that Selected Regimen, and upon obtaining all necessary Regulatory Approvals, Vertex shall use Reasonable Commercial Efforts to Commercialize the Selected Regimen in each of the Major Market Countries. Notwithstanding the foregoing, if Vertex chooses more than one Selected Regimen for further Development, the

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foregoing obligation to use Reasonable Commercial Efforts shall apply only to the Selected Regimen that best meets the standard set forth in the Development Plan.

(d) **Exclusivity [***].** During the Term, Alios covenants that it shall not [***], except to perform its obligations under this Agreement. If Alios undergoes a Change of Control and Alios is not a surviving entity after such Change of Control, then the foregoing covenant [***] shall survive solely with respect to [***]. For the avoidance of doubt, the foregoing covenant under this **Section 2.1.1(d) (Exclusivity [***])** does not apply to [***].

2.1.2 Allocation of Resources. The Parties shall assign responsibilities for the various operational aspects of the Collaboration to those portions of their respective organizations which have the appropriate resources, expertise and responsibility for such functions. In all matters related to the Collaboration, the Parties shall strive to balance the legitimate interests and concerns of the Parties and to realize the economic potential of Licensed Products or Combination Products (taking into account the risks and costs of further Development and Commercialization). Each Party agrees to commit the personnel, facilities, expertise and other resources needed to perform this Agreement in accordance with its terms; *provided, however*, that neither Party warrants that the Collaboration shall achieve any of the objectives contemplated by them.

2.1.3 Independence. Subject to the terms and conditions of this Agreement, including the governance of the JSC, the activities and resources of each Party shall be managed by such Party, acting independently and in its individual capacity.

2.1.4 Joint Steering Committee. Promptly after the Effective Date, the Parties shall establish a Joint Steering Committee (the “**Joint Steering Committee**” or “**JSC**”), as more fully described in this **Section 2.1.4 (Joint Steering Committee)**, to review and oversee all Research Work and Development, Manufacture and Commercialization activities for Licensed Products or Combination Products, and to make recommendations regarding the same; *provided, however*, that the JSC shall have no authority to amend this Agreement, the Research Plan or the Minimum Requirements. Each Party agrees to keep the JSC reasonably informed of its progress and activities performed under this Agreement.

(a) **Membership.** The JSC shall be comprised of [***] of representatives from each of Vertex and Alios. The initial number of representatives [***], or such other number as the Parties may agree. Each Party shall provide the other with a list of its initial members of the JSC within [***] after the Effective Date. Notwithstanding that each Party shall use all reasonable efforts to maintain the continuity of its representation, each Party may replace or substitute any or all of its representatives and/or appoint a proxy at any time. Each Party may, in its reasonable discretion, invite non-member representatives of such Party to attend meetings of the JSC. The presence in person or by telephone of half or more of each Party’s representatives (including any substitutes or proxy representatives) shall constitute a quorum for the meeting.

(b) **Chair.** The chair of the JSC shall be designated by [***].

(c) **Meetings.** During the term of this Agreement, the JSC shall meet at least [***] and as otherwise agreed by the Parties, on such dates, and at such places and times, as provided herein or as the Parties may agree. [***] Meetings of the JSC that are held in person shall

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alternate between the offices of the Parties, or such other place as the Parties may agree. Meetings of JSC may be held by audio or video teleconference with the consent of each Party; *provided, however*, that at least one (1) [***] per Calendar Year shall be held in person.

(d) **Minutes.** The chair of the Joint Steering Committee shall be responsible for scheduling each meeting, and issuing appropriate minutes of each meeting of the JSC within [***] of the date of such meeting. The chair of the JSC may appoint a designee to handle these responsibilities. The minutes shall be considered as accepted if, within [***] after receipt, no representative has objected in writing to the chair.

(e) **Decision Making.** Each Party shall have [***]. The members of the JSC shall attempt in good faith to reach consensus on all matters properly brought before the JSC. If a decision is made at the JSC and the minutes of the JSC meeting documenting such decision have been in place for [***] after receipt and no representative has objected in writing to the chair with a copy to the Alliance Manager, then the terms and conditions of the JSC decision shall be considered accepted and no escalation of this decision to the Responsible Executives shall be allowed. If agreement on any matter appropriately brought before the JSC under **Section 2.1.7 (Responsibilities of JSC)** cannot be reached after a good faith, reasonable and open discussion among the members of the JSC, the dispute shall be subsequently referred for resolution to the Responsible Executives pursuant to **Section 14.2 (Referral to Responsible Executives)**. Failing agreement of the Responsible Executives to resolve such dispute, [***] shall have the right to make the final decision. [***].

(f) **Alternatives to Meeting.** Any decision required or permitted to be taken by the Joint Steering Committee may be taken without a meeting in person or by audio or video teleconference taking place, if a consent in writing, setting forth the decision so taken, is signed by all designated members of the JSC.

(g) **Expenses.** Each Party shall be responsible for its representatives' expenses incurred in attending meetings of the JSC.

(h) **Change of Control or Assignment.** If Alios undergoes a Change of Control in which the acquiring company is [***], then at Vertex's option, upon written notice from Vertex, Alios or [***], as applicable, shall lose the right to participate in the JSC under this **ARTICLE 2 (Overview and Management of the Collaboration)** and shall only be entitled to reports as if it had withdrawn from the JSC pursuant to **Section 2.3 (Alios' Membership on the JSC and Joint Operational Teams)**.

2.1.5 Joint Operational Teams. From time to time the JSC may establish and delegate duties to other committees, sub-committees, or directed teams (each a "**Joint Operational Team**") on an "as needed" basis to oversee particular projects or activities. It is envisaged that the JSC will establish a Joint Operational Team to oversee technology transfer and the implementation of the Transition Plan. Each such Joint Operational Team shall be constituted and shall operate as the JSC determines. Joint Operational Teams may be established on an *ad hoc* basis for purposes of a specific project, or on such other basis as the JSC may determine. Each Joint Operational Team and its activities shall be subject to the oversight, review and approval of, and shall report to, the JSC. The authority of the Joint Operational Team cannot exceed that specified for the JSC in

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this **ARTICLE 2 (Overview and Management of the Collaboration)**. Any disputes within a Joint Operational Team shall be referred to the JSC for resolution.

2.1.6 Interactions Between Committees and Internal Teams. The Parties recognize that while they will establish the JSC and Joint Operational Teams for the purpose of the Collaboration, each Party possesses internal committees, teams and review boards that may be involved in administering such Party's activities under this Agreement. If requested by a Party, the JSC and Joint Operational Teams shall establish procedures to facilitate communications between the JSC or such Joint Operational Team and the relevant internal committee, team or review board of the requesting Party. Such procedures may include, to the extent reasonably necessary, requiring appropriate members of the JSC or Joint Operational Team to be available at reasonable times and places and upon reasonable prior notice for making appropriate oral reports to, and responding to reasonable inquiries from, the relevant internal committee, team or review board.

2.1.7 Responsibilities of JSC. Each Party shall keep the JSC informed about, and the JSC shall review, and make recommendations with regard to, research, Development, Manufacture and Commercialization activities performed by that Party hereunder. To that end, the JSC shall also be responsible, without limitation, for the following:

- (a) coordination of interactions between Vertex and Alios;
- (b) oversight of all Research Work, Development Work and Manufacturing activities undertaken with respect to each Licensed Product and Combination Product;
- (c) review and comment on Commercialization activities both prior to and after First Commercial Sale, including marketing strategy for each Licensed Product and/or Combination Product;
- (d) review and approval of supplements, modifications and updates to the Development Plan (other than the Minimum Requirements);
- (e) review and comment on the regulatory strategy for Licensed Products and/or Combination Products, including labeling strategy, and any material modifications to either the regulatory strategy or the labeling strategy;
- (f) review and comment on the marketing plans in their initial form and as they may be supplemented, modified or updated;
- (g) ensure the exchange of relevant information and materials relating to each activity undertaken or contemplated under this Agreement; and
- (h) such other responsibilities as may be assigned to the Joint Steering Committee as mutually agreed upon by the Parties in writing from time to time.

2.1.8 Alliance Managers. Promptly after the Effective Date, each Party shall appoint one or two individuals to act as that Party's primary points of contact between the Parties for matters relating to the Collaboration (the "**Alliance Managers**"). Each Alliance Manager who

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is not otherwise a member of the JSC shall be permitted to attend meetings of the JSC. The Alliance Managers shall be the primary point of contact for the Parties regarding the activities contemplated by this Agreement and shall facilitate all such activities hereunder. Each Party may change its designated Alliance Manager(s) from time to time upon written notice to the other Party. Any Alliance Manager may designate a substitute to temporarily perform the functions of that Alliance Manager by written notice to the other Party.

2.2 Reports; Inspection. Each Party shall maintain, and shall cause its Outside Contractors to maintain, accurate and reasonably complete records of all Research Work and all Development Work, as consistent with the responsibilities of such Party under this Agreement, and all results of any Clinical Trials, Pre-Clinical Testing, IND-Enabling Studies, and other investigations conducted under this Agreement by or on behalf of such Party, its Affiliates, and Outside Contractors, as applicable.

2.3 Alios' Membership on the JSC and Joint Operational Teams. The JSC will dissolve upon the expiration of the Term. Alios' membership on the JSC and any Joint Operational Team shall be at its sole discretion, as a matter of right and not obligation, for the sole purpose of participation in governance, decision-making, and information exchange with respect to activities within the jurisdiction of the JSC or Joint Operational Team, as the case may be. At any time prior to the dissolution of the JSC, Alios shall have the right to withdraw from membership in the JSC or any Joint Operational Team upon [***]' prior written notice to Vertex, which notice shall be effective as to the JSC or Joint Operational Team, as the case may be, upon the expiration of such [***] period. Following the issuance of such notice, (a) Alios' membership in the JSC or Joint Operational Team, as the case may be, shall be terminated and (b) Alios shall have the right to continue to receive the information it would otherwise be entitled to receive under this Agreement. If, at any time, following issuance of such written notice Alios wishes to resume participation in the JSC or any Joint Operational Team, Alios shall notify Vertex in writing and, thereafter, Alios' representatives to the JSC or such Joint Operational Team, as the case may be, will be entitled to attend any subsequent meeting and participate in the activities of, and decision-making by, the JSC or such Joint Operational Team as provided in this **ARTICLE 2 (Overview And Management of the Collaboration)** as if a withdrawal notice had not been issued by Alios pursuant to this **Section 2.3 (Alios' Membership on the JSC and Joint Operational Teams)**. If the JSC is dissolved, then any data and information that otherwise would have been provided to the JSC shall be provided by each Party directly to the other Party.

2.4 Diligence. Vertex shall use Reasonable Commercial Efforts: (a) to advance Licensed Products through completion of Phase 2a Clinical Trials in accordance with the Development Plan; and (b) to conduct the Research Work to be performed by Vertex under the Research Plan (if any) and (c) to conduct the Development Work under the Development Plan; *provided, however*, that after completion of Phase 2a Clinical Trials, Vertex shall have no obligation to use Reasonable Commercial Efforts to Develop any Licensed Compound that is not incorporated into a Selected Regimen.

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ARTICLE 3 RESEARCH PROGRAM

3.1 Term of the Research Program. Alios shall conduct the Research Work under the research program (the "**Research Program**") as provided by the Research Plan during the Research Term. Upon completion of the activities under the Research Plan, Alios may [***]. Throughout the period during which research is conducted hereunder during the Research Term, Alios shall prepare and maintain an inventory list of all compounds that satisfy the Selection Criteria, as set forth in **Section 3.2 (Selection of Selected Back-up Compounds and Selected Follow-on Compounds)**, and shall provide such list to the JSC. Such inventory list will be deemed complete at the end of the Research Term.

3.2 Selection of Selected Back-Up Compounds and Selected Follow-on Compounds. Within [***] after the Effective Date, the Parties shall agree upon the criteria (the "**Selection Criteria**") for the selection of Back-up Compounds and Follow-on Compounds synthesized and screened by Alios during the Research Term to be Selected Back-Up Compounds and Selected Follow-on Compounds, respectively, and shall amend the Research Plan to incorporate the Selection Criteria. Alios shall promptly notify Vertex in writing each time it synthesizes and screens a compound during the Research Term that meets the Selection Criteria, and shall provide additional information to Vertex about such compound, including the chemical structure of such compound and all data related to screening of such compound, as is requested by Vertex to allow for further evaluation of the compound by Vertex. [***].

3.3 [***].

ARTICLE 4 DEVELOPMENT AND REGULATORY

4.1 Scope of Development. In accordance with the terms and conditions set forth below, the Development Work for any Licensed Compound, Licensed Product and/or Combination Product will be conducted solely in the HCV Field by or on behalf of the Parties pursuant to the Development Plan (the "**Development Program**"). At Vertex's cost as provided in **Section 7.2 (Vertex's Cost and Reimbursement Obligations)**, the Parties intend that [***] will be responsible for (a) [***]. [***] shall be primarily responsible for all other evaluation and Development of Licensed Products and Combination Products as set forth in the Development Plan, *provided, however*, that Vertex shall have no obligation to conduct further Development of any Licensed Compound that has experienced a Technical Failure subject to the last sentence of **Section 1.90 (Technical Failure)**. All Development by the Parties, or either of them, of any and all Licensed Compounds, Licensed Products and/or Combination Products for any indication in the HCV Field, until the filing of an NDA for each such Licensed Product or Combination Product, will be subject to the oversight of the JSC as provided in **Section 2.1.4 (Joint Steering Committee)** and elsewhere in this Agreement and shall be conducted solely as provided under this Agreement.

4.2 IND Filings. Promptly after completion [***].

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4.3 Transition Plan. On the Effective Date, Alios shall provide to Vertex all data and information in its possession pertaining to the Lead Compounds, including information available on the Effective Date that would be covered by the Transition Plan. The JSC shall develop a plan to transition from Alios to Vertex, as such information is generated but, no less frequently than quarterly, all data and information about all material aspects of Development Work with respect to Licensed Compounds (the “**Transition Plan**”). The Transition Plan will include with respect to each such Licensed Compound the transfer of (a) any IND as filed and as amended, (b) any studies or data included in such IND or IND amendment, (c) all correspondence with the FDA or applicable Regulatory Authorities, (d) details of all on-going studies, (e) any Phase 1 Clinical Trial data, and (f) API and drug product, if available.

4.4 Use of Information. Any information contained in reports made pursuant to this **ARTICLE 4 (Development and Regulatory)** or otherwise communicated between the Parties will be subject to the confidentiality provisions of **ARTICLE 10 (Confidentiality)**.

4.5 Approval Applications and Regulatory Approvals.

4.5.1 Responsible Party. Except as otherwise set forth in this Agreement, Vertex at its sole cost and expense as provided in **Section 7.2 (Vertex’s Cost and Reimbursement Obligations)**, shall have sole authority to file in its name all Approval Applications and have sole authority over all Approval Applications and all communication with Regulatory Authorities; *provided, however*, that Vertex shall provide Alios with copies of all material correspondence with FDA and Regulatory Authorities in Major Market Countries in advance, where possible; *provided, further* that Alios shall have the right to comment in a timely fashion on any such Approval Applications or communication with Regulatory Authorities, which comments Vertex shall reasonably consider.

4.5.2 Clinical Trials. Subject to the terms of this Agreement and the Development Plan, the Party conducting a Clinical Trial shall have sole authority to assemble all regulatory filings required to conduct such Clinical Trial with any Licensed Product or Combination Product Developed or to be Developed under the Development Plan.

4.5.3 Manufacturing Approval. Vertex shall have sole authority to obtain and maintain Regulatory Approval to Manufacture Licensed Products and Combination Products. Vertex will promptly send to Alios copies of each Regulatory Approval of any Licensed Product or Combination Product (including English translations thereof, if Vertex has in its possession such an English translation) and any material related correspondence with any Governmental Authority in Major Market Countries relating to the Manufacture of any Licensed Products or Combination Products.

4.5.4 Marketing Approval. Vertex shall have sole authority to obtain and maintain Regulatory Approval to Commercialize Licensed Products and Combination Products in the Major Market Countries and any other country where Vertex determines to Commercialize Licensed Products and/or Combination Products. Vertex will promptly send to Alios copies of all Regulatory Approvals of any Licensed Product or Combination Product (including English translations thereof, if Vertex has in its possession such an English translation) and any material

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related correspondence with any Governmental Authority in Major Market Countries relating to the marketing of any Licensed Products or Combination Products.

4.5.5 Filing of Regulatory Reports. Vertex shall have sole authority to file all reports required to be filed by it under Applicable Laws in order to maintain any Regulatory Approvals granted to Vertex or its Affiliates or licensees for marketing and sale of any and all Licensed Products or Combination Products developed under this Agreement, including adverse drug experience reports. Notwithstanding the foregoing, to the extent Alios has or receives any information regarding any adverse drug experience that may be related to the use of any Licensed Product or Combination Product, Alios shall promptly provide Vertex with all such information in accordance with Alios’ obligations under Applicable Laws.

4.6 Selected Regimen. After receipt and analysis of data [***], Vertex shall have [***] to (a) select one or more combinations of active pharmaceuticals, with each combination containing at least one Licensed Compound, on the basis of the criteria set forth in the Development Plan or as otherwise agreed by the Parties, (each, a “**Selected Regimen**”), for further Development or (b) shall terminate this Agreement in accordance with **Section 13.2.1 (Termination at Will)**. [***].

4.7 Reporting Adverse Events.

4.7.1 Report. Each Party shall, throughout the Term, inform the other Party about serious and unexpected related adverse events (IND safety reports in the United States, expedited safety reports elsewhere) with respect to the use of Licensed Products or Combination Products in activities conducted by that Party. The Parties agree to handle data and information about serious adverse events occurring or having occurred in connection with the use of any Licensed Product or Combination Product according to the Applicable Laws. Alios shall be solely responsible for reporting serious adverse drug experiences to the Governmental Authorities during [***]. Vertex shall be solely responsible for signal detection activities and reporting serious adverse drug experiences to the Governmental Authorities thereafter. After completion of [***], Vertex will provide Alios with a copy of the IND Annual report and the EU Annual Safety Report (as well as other foreign equivalents, if applicable). Alios may participate as observers in the Vertex Disease Area Safety Team (DST) for the Development Program as a means to maintain current information regarding the safety of the Licensed Compounds.

4.7.2 Clinical Safety Database. Serious adverse events related to the use of Licensed Products during [***] shall be entered into a database selected and under the oversight and control of [***]; thereafter serious adverse events related to the use of Licensed Products or Combination Products in the Territory shall be entered in a single database, centralized, held and owned by [***]. Upon the completion of the [***] shall transfer to [***] all the historical clinical safety data and the global safety database promptly upon [***] request. Upon completion of the transfer of such historical clinical safety data, [***] shall thereafter be responsible for safety reporting for each Licensed Product and Combination Product.

4.7.3 Safety Data Exchange. The data referenced in **Section 4.7.1 (Report)** and **Section 4.7.2 (Clinical Safety Database)** shall be exchanged and transferred between the Parties through a mechanism or agreement to be determined by the Parties within [***] after the Effective Date and in no event any later than [***].

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**ARTICLE 5
COMMERCIALIZATION**

5.1 Scope of Commercialization. Subject to the terms and conditions of this Agreement, Vertex shall be responsible for the establishment, control and implementation of the strategy, plans and budgets for Commercialization of the Selected Regimen in the Field. Under all circumstances, Vertex shall record all sales in the Territory.

5.2 Commercial Diligence. Upon obtaining all necessary Regulatory Approvals, Vertex shall use Reasonable Commercial Efforts to Commercialize the Selected Regimen in the Major Market Countries; *provided* that Vertex shall not be required to conduct any Phase 4 Clinical Trials.

5.3 Commercialization Reports. After submission of an NDA for a Licensed Product or Combination Product, on at least a Calendar Year basis, or as otherwise requested by the JSC, Vertex shall provide the JSC with a written summary of Vertex's planned and completed Commercialization activities with respect to such Licensed Product or Combination Product in the Field and the Territory, covering subject matter at a level of detail sufficient to enable Alios to determine Vertex's compliance with its diligence obligations in **Section 5.2 (Commercial Diligence)**.

**ARTICLE 6
MANUFACTURE AND SUPPLY**

6.1 Manufacture and Supply of Pre-Clinical and Clinical Materials.

6.1.1 Alios Obligations. Subject to **Section 7.2.3 (Manufacturing Costs)**, Alios shall Manufacture or have Manufactured, and supply Licensed Compounds and/or Licensed Products for [***] that it is responsible to conduct under the Research Program and in the Development Program (and, at Vertex's request, for [***]).

6.1.2 Vertex Obligations. Vertex shall Manufacture, or have Manufactured, at its cost and expense as provided under **Section 7.2.2 (Development Program)**, all quantities of Licensed Compounds, Licensed Products or Combination Products required for Clinical Trials other than [***].

6.2 Commercial Supply of Licensed Products and Combination Products. Vertex shall be responsible for Manufacture of all Licensed Products and Combination Products for commercial sale in the Territory at its sole cost and expense, in conformance with the specifications set forth in the respective applications for Regulatory Approval and any amendments or supplements thereto, and any substitutes.

6.3 Technology Transfer. Promptly after the Effective Date, Alios shall deliver to Vertex: [***]. If Vertex desires additional technical assistance, then Alios shall provide such assistance and Vertex shall compensate Alios [***].

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**ARTICLE 7
FINANCIAL TERMS**

7.1 Initial Payment. In consideration of the license rights granted by Alios to Vertex pursuant to this Agreement and as reimbursement for previously incurred research activities, Vertex shall pay to Alios a non-refundable, non-creditable payment of Sixty Million dollars (US\$60,000,000) within [***] Business Days after the Effective Date.

7.2 Payment of Costs related to Research and Development Programs

7.2.1 Research Program. In consideration of Alios' performance of Research Work, Vertex shall make the Research Payment to Alios within [***] (with the first such payment pro-rated for the portion of the [***] in which Alios is performing research services hereunder). Alios shall be solely responsible for all of its costs related to its performance of the Research Work.

7.2.2 Development Program. Each Party shall be responsible for its costs in Developing Licensed Compounds, *provided, however*, that Vertex shall reimburse Alios for all such reasonable Third-Party costs incurred by Alios and for Alios' internal costs calculated on the basis of the Alios FTE Rate.

7.2.3 Manufacturing Costs. Vertex shall pay Alios' actual cost of Manufacture for API and Licensed Product supplied by Alios.

7.2.4 Payments and Invoicing. Alios shall invoice Vertex [***] (**Development Program**) and **Section 7.2.3 (Manufacturing Costs)**. Each such invoice shall include [***] after receipt.

7.3 Research Milestone Payments. Vertex shall make research milestone payments to Alios based on achievement of research milestones set forth below. Except as provided below, Vertex shall pay the amounts set forth below within [***] after first achievement of [***], as applicable. Each [***]

by Vertex to Alios hereunder shall be non-creditable and non-refundable. After payment of the [***], there shall be no further milestones payable by Vertex upon [***].

[***]	[***]
[***]	[***]
[***]	[***]

7.4 Development Milestone Payments.

7.4.1 Vertex shall make Development milestone payments to Alios based on achievement of Development milestones as set forth in the table below. Vertex shall pay each [***]. The remainder of this page is intentionally left blank.

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[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]

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7.4.2 Each Development milestone payment will be paid only once for the first achievement of the corresponding milestone. [***].

7.4.3 [***].

7.5 Commercial Milestone Payments.

7.5.1 Vertex shall make commercial milestone payments to Alios based on achievement of [***] as set forth below. Except as provided below, Vertex shall pay the amounts set forth below within [***] after [***]. Each commercial milestone payment by Vertex to Alios hereunder shall be paid only once as indicated in the table below, and shall be non-creditable and non-refundable. The commercial milestones are set forth in the table on the next page. The remainder of this page is intentionally left blank.

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[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]
Total Commercial Milestone Payments	US\$ 750,000,000

7.5.2 [***]

7.6 Royalties.

7.6.1 Vertex shall pay the following incremental (non-cumulative) royalties on annual Net Sales of Licensed Products or Combination Products as set forth below (“**Royalty(ies)**”). Such Royalties shall be payable on Net Sales on a Licensed Product-by-Licensed Product or Combination Product-by-Combination Product basis during the Royalty Term. Each Royalty shall be payable only once with respect to a particular Licensed Product or Combination Product. The royalty rates are set forth in the table on the next page. The remainder of this page is intentionally left blank.

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***]	***]
***]	***]
***]	***]
***]	***]
***]	***]

7.6.2 The applicable Royalty Rates will be based on total Net Sales in the Territory, and not any particular region or country. [***].

7.6.3 Royalty Adjustment for Third Party Patent Rights.

(a) If the Development, Manufacture or Commercialization of a Licensed Product or Combination Product by Vertex in the Territory in accordance with this Agreement would infringe any Third Party patent right due to the Licensed Compound component of such Licensed Product or Combination Product or Vertex believes it necessary or desirable to obtain a license under such Third Party’s patent rights to avoid any claims or litigation by a Third Party against Vertex anywhere in the Territory concerning infringement with respect to the Licensed Compound component of a Licensed Product or Combination Product, then [***].

(b) If the license is necessary to avoid any claims or litigation by a Third Party that a Licensed Compound component of such Licensed Product or Combination Product infringes such Third Party’s intellectual property rights, [***] under this **Section 7.6.3(b)(ii)** [***].

7.6.4 Royalty Adjustment for Unlicensed Competing Product.

(a) If one or more Third Parties is, during the Term, (i) selling a product containing a Licensed Compound without benefit of a sublicense from Vertex in a given country for any Calendar Quarter during which royalties are due under this Agreement, and (ii) such sales of such product in such country for such Calendar Quarter are, in the aggregate (on a unit basis), greater than [***] of the sales of the Licensed Product and/or Combination Product containing such Licensed Compound being sold under this Agreement and such unlicensed products in such country for such Calendar Quarter (calculated in accordance with **Section 7.6.4(b)**), then the Royalties due to Alios under this **Section 7.6.4 (Royalties)** for any sales beginning in such Calendar Quarter and continuing into the future shall be [***] from what they would otherwise have been according to the Royalty then being paid under this **Section 7.6 (Royalties)**. If such Third Party sales are greater than [***] of the sales of Licensed Product and/or Combination Product containing such Licensed Compound, then such [***]. Such [***] shall be first applied with respect to such country starting with sales in the Calendar Quarter following the [***] where the sales of the such Third Party product in such country exceed the applicable level noted above of the unit sales volume of the applicable Licensed Product and/or Combination Product, and shall expire on the day after [***]. For the avoidance of doubt, if the royalty rate set forth in **Section 7.6.1** has already been reduced pursuant to **Section 7.6.5 (Royalty Adjustment in Countries with No Patent Protection)**, then the royalty reduction set forth in **Section 7.6.5 (Royalty Adjustment in Countries with No Patent Protection)** shall no longer apply and the royalty reduction set forth in this **Section 7.6.4(a)** shall take precedence.

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(b) The percentage of sales of the unlicensed product relative to all sales of unlicensed products and Licensed Products and Combination Products shall be based on [***], calculated using data [***], or if such data is not available, another reliable data source that is mutually acceptable to Vertex and Alios.

(c) If sales of Licensed Products and/or Combination Products by a Third Party in a given country are pursuant to a compulsory license granted or ordered to be granted by a Governmental Authority, or if the Parties agree that the granting of a license to a Third Party in view of the threat of a compulsory license is warranted, then the Royalty payable by Vertex on Net Sales in such country shall [***]. If Vertex or Alios receives any compensation from the Third Party subject to such a license, then Vertex and Alios shall [***].

7.6.5 Royalty Adjustment in Countries with No Patent Protection. In each country in which there is no Valid Claim within the Alios Patent Rights or Joint Patents covering the making, using, selling, offering for sale, or importation or exportation of any given Licensed Product or Combination Product, the Royalties due to Alios under this **Section 7.6 (Royalties)** shall [***] according to the Royalty then being paid under this **Section 7.6 (Royalties)** for such country. Royalties payable under this **Section 7.6.5** for such Licensed Products and Combination Products shall be in consideration of the Alios Know-How and other rights and items provided under this Agreement.

7.6.6 Royalty Payments and Reports. Within [***] after the end of each Calendar Quarter, Vertex shall make all Royalty payments payable to Alios under this Agreement with respect to such Calendar Quarter by wire transfer of immediately available funds to such United States bank account as will be designated by Alios. Along with such payments, Vertex shall simultaneously provide a written report to Alios that summarizes: (a) the Net Sales in the Territory during such Calendar Quarter by or on behalf of Vertex, its Affiliates, and Sublicensees in the currency in which sales were made and in United States dollars after the application of the exchange rate during the reporting period, (b) the Royalties payable in United States dollars that have accrued under this Agreement in respect of such Net Sales and the basis for calculating those Royalties in sufficient detail to enable the calculation of such Royalties due pursuant to this **Section 7.6 (Royalties)**, (c) the exchange rates and other methodology used under **Section 7.8 (Currency)** in converting into

United States dollars, from the currencies in which sales were made, (d) disposition of Licensed Products or Combination Products other than pursuant to sale for cash, and (e) withholding taxes, if any required by Applicable Laws to be deducted in respect of such Royalties.

7.6.7 Records and Audit. Each Party shall keep, and shall require its Affiliates and Sublicensees to keep, full, true and accurate books of account containing all particulars that may be necessary for the purpose of calculating all payments under this Agreement. Such books of accounts shall be kept at their principal place of business.

(a) **Alios Right to Audit Vertex.** At the expense of Alios, Alios has the right to engage an independent registered public accounting firm of nationally recognized standing to perform, on behalf of Alios, an audit of such books and records of Vertex and its Affiliates, and Sublicensees, that are deemed necessary by such independent registered public accounting firm to report on Net Sales of Licensed Products and Combination Products in the Territory for the period

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or periods requested by Alios and the correctness of any report or payments made under this Agreement.

(b) **Vertex's Right to Audit.** At the expense of Vertex, Vertex has the right to engage an independent registered public accounting firm of nationally recognized standing to perform, on behalf of Vertex, an audit of such books and records of Alios and its Affiliates, that are deemed necessary to report on (i) Research Work and Development costs and expenses incurred by Alios, including FTE costs and Third Party and Outside Contractor costs, under the Research Program and the Development program as described in **ARTICLE 3 (Research Program)** and **ARTICLE 4 (Development and Regulatory)**, and (ii) Manufacturing costs incurred by Alios under **ARTICLE 6 (Manufacture and Supply)**, for the period or periods requested by Vertex and the correctness of any report or payments made under this Agreement.

(c) **Audit Procedure.** Upon at least [***] Business Days' prior written notice from the auditing Party, such audit shall be conducted with respect to the countries specifically requested by the auditing Party, during regular business hours in such a manner as to not unnecessarily interfere with the normal business activities of the Party being audited. Such audit shall not be performed more frequently than [***] nor more frequently than [***]. All information, data, documents and abstracts herein referred to shall be used only for the purpose of verifying Royalty statements or costs and expenses incurred and shall be treated as the Confidential Information of the Party being audited subject to the obligations of this Agreement and need neither be retained more than [***] after completion of an audit hereof, if an audit has been requested; nor more than [***] from the end of the Calendar Year to which each shall pertain; nor more than [***] after the date of expiration or termination of this Agreement. Audit results and findings shall be made without interpretation of contractual language and shared by Vertex and Alios and the accounting firm shall disclose to the auditing Party only whether the royalty reports or expense reports, as applicable, are correct or incorrect and the specific details concerning any discrepancies. If the audit reveals an overpayment, then the auditing Party shall reimburse the Party being audited for the amount of the overpayment within [***]. If the audit reveals an underpayment, then the Party being audited shall make up such underpayment within [***]. Upon expiration of [***] following the end of any Calendar Year, the calculation of Royalties payable or costs and expenses with respect to such Calendar Year shall be binding and conclusive upon the Parties, and the Party obligated to make such royalty payments or the Party receiving reimbursement of costs and expenses hereunder, its Affiliates and Sublicensees shall be released from any liability or accountability with respect to such payments for such Calendar Year. The auditing Party shall pay for any such audit, except that if (i) Vertex underpaid payments by more than [***] during the period in question as per the audit or (ii) Alios overstated its costs and expenses by more than [***] during the period in question as per the audit, such audited Party shall pay the reasonable costs of the audit.

7.7 Taxes and Withholding. All payments under this Agreement will be made without any deduction or withholding for or on account of any tax unless such deduction or withholding is required by Applicable Laws. If the paying Party is so required to deduct or withhold, such Party will (a) promptly notify the other Party of such requirement, (b) pay to the relevant authorities the full amount required to be deducted or withheld promptly upon the earlier of determining that such deduction or withholding is required or receiving notice that such amount has been assessed against

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the other Party, (c) promptly forward to the other Party an official receipt (or certified copy) or other documentation reasonably acceptable to the other Party evidencing such payment to such authorities.

7.8 Currency. All amounts payable and calculations made hereunder shall be in United States dollars regardless of the country(ies) in which sales are made. Net Sales and any other amounts related to the calculation of any amounts payable hereunder which are not recorded in United States dollars shall be translated into United States dollars using Vertex's then-current standard exchange rate methodology, fairly applied, for the translation of foreign currency into United States dollars as employed on a consistent basis throughout Vertex's operations and consistent with GAAP.

7.9 Payments; Late Payments. Each Party shall make all payments due the other Party under this Agreement by wire transfer of immediately available funds to such account as is designated by the receiving Party from time to time to the other Party in writing in accordance with the provisions of **Section 15.5 (Notices)**. If any sum due and payable under this Agreement shall not have been paid on or before the applicable due date, [***] shall accrue on the unpaid amount at the rate of [***] or, if less, the maximum rate permitted under Applicable Laws, from the payment due date until the actual date of payment without prejudice to any other claim or remedy available to the non-paying Party; *provided, however*, that no interest shall accrue on any portion of an unpaid amount that is the subject of a good faith, legitimate dispute. If any such dispute is resolved against the paying Party, the date of resolution shall be deemed to be [***] after the date that payment to the other Party originally was due.

7.10 Vertex Information Rights. Alios acknowledges that Vertex may, as a result of the application of the terms of this Agreement, be required to prepare and publicly file financial statements that consolidate the financial results of both Parties. Alios agrees to use good faith efforts to provide to Vertex any and all financial information in Alios' possession on such timetables and in sufficient detail, in each case as reasonably requested by Vertex, to allow

Vertex to timely file any such financial statements, and Vertex shall reimburse Alios for any and all costs and expenses incurred by Alios in connection therewith, including any Third Party costs and expenses.

ARTICLE 8 LICENSES

8.1 Licenses.

8.1.1 License by Alios to Vertex. Subject to the terms and conditions of this Agreement, Alios hereby grants to Vertex an exclusive license (even as to Alios except as set forth in **Section 8.1.3 (Alios Retained Rights and Vertex License to Alios)**), under Alios Patent Rights, Alios' rights in Joint IP and Alios IP Improvements, in the Territory, with the right to grant sublicenses in accordance with **Section 8.1.2 (Right to Sublicense)**, (a) to make, have made, use, have used, import and export Licensed Compounds, Licensed Products, and Combination Products in the HCV Field for the performance of its research and Development obligations under this Agreement and (b) to offer to sell, sell, import, export, make, have made, use, and have used

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Licensed Products and Combination Products in the Field for the Commercialization of Licensed Products and Combination Products during the Term. For the avoidance of doubt, the license set forth in clause (b) covers activities related to expanded access programs, compassionate use sales and named patient sales.

8.1.2 Right to Sublicense. Vertex shall have the right to grant sublicenses under the license granted to it in **Section 8.1.1 (License by Alios to Vertex)**, provided that:

- (a) any such sublicense shall oblige the Sublicensee to comply with all the terms of this Agreement (except those provisions which, by their clear meaning, are not applicable to a Sublicensee) and that Vertex remains liable to Alios for all material acts and omissions of any such Sublicensee;
- (b) if Vertex wishes to grant a sublicense to a Third Party of its Development or Commercialization rights in any of the Major Market Countries, Vertex shall provide written notice to Alios of any such proposed sublicense, along with a summary of the principal non-financial terms of that sublicense relating, among other things, to its scope, the proposed sublicensee's duties and representations, and indemnification, at least ******* prior to the execution thereof, and shall obtain Alios' consent to each such sublicense, such consent not to be unreasonably withheld;
- (c) if Vertex wishes to grant a sublicense to a Third Party of its Development or Commercialization rights in any jurisdiction other than a Major Market Country, Vertex shall not be obligated to seek Alios' consent, but may choose to request such consent, which consent shall not be unreasonably withheld;
- (d) any such sublicense must refer to this Agreement and shall be subordinate to and consistent with the terms and conditions of this Agreement, and shall not limit (i) the ability of Vertex (individually or through the activities of its Sublicensees) to fully perform all its obligations under this Agreement or (ii) Alios' rights under this Agreement;
- (e) Vertex will remain responsible for the performance of this Agreement and the performance of its Sublicensees hereunder;
- (f) Vertex may grant to a Sublicensee the right to grant further sublicenses of the same or lesser scope as its sublicense from Vertex (the other party to such further sublicense also being a Sublicensee), provided that such further sublicenses shall be in accordance with and subject to all of the terms and conditions of this **Section 8.1.2 (Right to Sublicenses)** (i.e., such Sublicensee shall be subject to this **Section 8.1.2 (Right to Sublicenses)** in the same manner and to the same extent as Vertex);
- (g) any sublicenses granted by Vertex to sell Licensed Products and/or Combination Products that are subject to Royalty payments under **Section 7.6 (Royalties)** must include an obligation for the Sublicensee to account for and report its sales of Licensed Products and/or Combination Products on the same basis as if such sales were Net Sales by Vertex. Vertex shall remain responsible to Alios for all Development and Commercialization milestones for such

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Licensed Products and/or Combination Products under **Section 7.4 (Development Milestone Payments)** and **Section 7.5 (Commercial Milestone Payments)** of this Agreement; and

(h) any sublicenses of Vertex's rights under this Agreement for which Vertex does not obtain consent from Alios must provide that Alios may, upon expiration or early termination (except for termination by Vertex under **Section 13.3 (Termination for Cause)** or under **Section 13.4 (Termination for Insolvency)**) of this Agreement, terminate such sublicense on ******* written notice from Alios, and a copy of any such sublicense shall be provided by Vertex to Alios within ******* of execution of such sublicense. Subject to Alios' right to request Vertex to assign sublicenses under **Section 13.9.2 (Post Termination Technology Transfer)**, Alios further agrees to negotiate with any Sublicensee upon request of such Sublicensee either the assumption of applicable terms of such sublicense or the execution of a new sublicense with such Sublicensee, but any such assumption or new sublicense will be in Alios' sole discretion.

8.1.3 Alios Retained Rights and Vertex License to Alios. Notwithstanding the foregoing, Alios shall retain rights under the Alios IP and Alios' rights in Joint IP to the extent (a) necessary or useful to discharge its obligations and exercise its rights under this Agreement and (b) outside the field restrictions set forth in **Section 8.1.1 (License by Alios to Vertex)**. Subject to the terms of this Agreement, Vertex hereby grants to Alios a non-exclusive research license, under Patent Rights and Know-How Controlled by Vertex, to the extent necessary to permit Alios to perform its research and Development obligations under this Agreement.

8.1.4 No Other Rights and Retained Rights. This Agreement confers no right, license or interest by implication, estoppel, or otherwise under any Patent Rights, Know-How or other intellectual property rights of either Party except as expressly set forth in this **ARTICLE 8 (Licenses)** and elsewhere in this Agreement. Each Party hereby expressly retains and reserves all rights and interests with respect to patents, patent applications, know-how or other intellectual property rights not expressly granted to the other Party hereunder. For the avoidance of doubt, Alios grants no rights to Vertex to any compounds that are not Licensed Compounds. Subject to the terms and conditions of this Agreement, Alios shall retain and reserve all rights and interests to Alios Compounds that are not Licensed Compounds.

ARTICLE 9 INTELLECTUAL PROPERTY

9.1 Ownership of Intellectual Property.

9.1.1 Alios IP. As between the Parties, subject only to the licenses and covenants set forth in **ARTICLE 8 (Licenses)**, Alios shall retain and own all right, title and interest in and to the Alios IP.

9.1.2 Vertex IP. As between the Parties, subject only to the licenses and covenants set forth in **ARTICLE 8 (Licenses)** and Vertex's obligation to assign certain rights under **Section 9.1.4 (Assigned Rights)**, Vertex shall retain and own all right, title and interest in and to the Vertex IP.

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9.1.3 Joint IP and Joint Patents. Subject to **Section 9.1.4 (Assigned Rights)**, the Parties shall jointly own any Joint IP.

9.1.4 [*].**

9.1.5 Inventorship. Inventorship of inventions shall be determined in accordance with rules and guidelines regarding inventorship as established under United States patent law.

9.2 Prosecution and Maintenance of Patent Rights; Abandonment.

9.2.1 Responsibility. Each of Alios and Vertex, or each Party's designee, shall have the responsibility to diligently file, prosecute and maintain the Alios Patent Rights, as to Alios, and the Vertex Patent Rights, as to Vertex, and shall bear all Patent Costs associated therewith. Subject to **Section 9.1.4 (Assigned Rights)**, each Party shall provide to the other Party an opportunity to review and comment on the nature and text of new or pending applications for such Patent Rights claiming a Licensed Compound, Licensed Product or Combination Product, or its use or Manufacture, in the Territory. Each Party agrees to keep the other Party informed of the course of patent prosecution or other proceedings relating to such Patent Rights to the extent known by each Party.

9.2.2 Abandonment, Opt-In Rights. If Alios elects, in any country, not to file or not to continue to prosecute and thereby abandon an application for a patent claiming a Licensed Compound, Licensed Product or Combination Product, or their use or Manufacture, within the Alios Patent Rights, or any patent application that was assigned to Alios pursuant to **Section 9.1.4 (Assigned Rights)**, or not to maintain and thereby abandon a patent claiming a Licensed Compound or Licensed Product or Combination Product, or their use or Manufacture, within the Alios Patent Rights, or patent that was assigned to Alios pursuant to **Section 9.1.4 (Assigned Rights)**, then Alios shall notify Vertex not less than [***] before such relevant deadline, or, if such deadline is within less than [***], then within a reasonable time period, and thereafter Vertex shall have the right, but not the obligation, to pursue, at Vertex's expense and in Vertex's sole discretion, prosecution of such patent application or maintenance of such issued patent; *provided, however*, that (i) Vertex provides Alios with copies of all documents proposed to be submitted to the relevant Governmental Authority [***] prior to the proposed submission date and (ii) with respect to any patent application or patent licensed to Alios by a Third Party, Vertex shall only have a right to pursue prosecution or maintenance to the extent permitted in any applicable agreement with such Third Party in effect as of the Effective Date.

9.3 Prosecution and Maintenance of Joint Patents; Abandonment. The Parties agree to discuss in good faith and implement a mutually agreeable patent strategy with respect to all Joint IP that may be patentable. With respect to all Joint IP for which the Parties agree patent protection should be sought, the Parties shall cooperate in the preparation, filing and prosecution of Joint Patents, and shall discuss and agree on the content and form of relevant patent applications and any other relevant matters before such applications are made. Each Party shall consider in good faith any comments from the other regarding steps to strengthen such Joint Patents.

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9.3.1 Vertex as Lead Party. Vertex shall be considered the lead Party as further described in **Section 9.3.3 (Joint Patents Prosecution and Costs)** for Joint Patents other than those described in **Section 9.3.2 (Alios as Lead Party)**, or as otherwise agreed to by the Parties.

9.3.2 Alios as Lead Party. Alios shall be considered the lead Party as further described in **Section 9.3.3 (Joint Patents Prosecution and Costs)** for Joint Patents drawn to compositions, methods of making or methods of use of Joint Compounds or as otherwise agreed to by the Parties.

9.3.3 Joint Patents Prosecution and Costs. The lead Party as identified in either **Section 9.3.1 (Vertex as Lead Party)** or **9.3.2 (Alios as Lead Party)** shall have the right to file, prosecute and maintain such Joint Patents in the Territory, and the Parties shall bear all Patent Costs associated therewith equally. The lead Party shall take no significant steps relating to Joint Patents without the prior approval of the other Party for so long as the other Party is paying its share of the Patent Costs relating thereto. In the event that the lead Party elects not to prosecute a patent application on a particular Joint IP, the other Party may do so at its sole discretion and expense, and all rights in such Joint IP and any Joint Patent claiming such Joint IP shall be assigned to the other Party. Either Party may choose at any time not to continue to pay any such Patent Costs with respect to a particular Joint Patent, and shall thereafter assign all its rights in such Joint Patent to the Party that pays all such Patent Costs. Such assignment shall take place in a timely manner to enable the non-assigning Party to meet any external requirement concerning prosecution matters and paying Patent Costs. If a Party elects, at any time, not to participate in the preparation, filing and prosecution of any patent application covering Joint IP, then such Party shall provide reasonable assistance to the other Party, at the expense of such other Party, with respect to any activities determined by such other Party as necessary to obtain patent protection for such Joint IP.

9.3.4 Patent Term Extension. The Parties shall use Reasonable Commercial Efforts to obtain patent term extensions or supplemental protection certificates or their equivalents in any country in the Territory where applicable to the Alios Patent Rights and Joint Patents and shall cooperate with each other, including providing necessary information, documents and assistance as the other Party may reasonably request.

9.4 Interference, Opposition, Reexamination and Reissue.

9.4.1 Notice. Each Party shall promptly inform the other Party upon learning of any Third Party request for, or filing or declaration by the relevant patent office, of any interference, opposition, or reexamination proceeding relating to the Alios Patent Rights or Joint Patents. Alios shall be the lead Party on any such proceeding involving Alios Patent Rights or Joint Patents. Alios and Vertex shall thereafter consult and cooperate fully to determine a course of action with respect to any such proceeding. The parties shall have the right to review and comment on any submission to be made in connection with such proceeding.

9.4.2 Restriction. Neither Party may initiate or request any interference, opposition, reexamination or reissue proceeding relating to patent applications or patents licensed to the other Party under this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld; *provided, however*, that [***].

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9.4.3 Cooperation. In connection with any interference, opposition, reexamination or reissue proceeding relating to patent applications or patents licensed to the other Party under this Agreement, Vertex and Alios shall cooperate fully and shall provide each other with any information or assistance that either Party may reasonable request. The Parties shall keep each other informed of developments in any such action or proceeding, including, to the extent permissible by law, consultation on and approval of any settlement, the status of any settlement negotiations and the terms of any offer related thereto.

9.4.4 Costs. [***] shall bear the expense of any interference, opposition, reexamination, or reissue proceeding relating to its respective patent applications or patents [***] under this Agreement.

9.5 Enforcement of Patent Rights.

9.5.1 Notice. If any patent within the Alios Patent Rights is or might reasonably be infringed by a Third Party [***], which product is competitive with a Licensed Product or Combination Product (an **“Infringement”**), then the Party to this Agreement first having knowledge of such Infringement shall promptly notify the other Party in writing. Such notice shall set forth the facts of the Infringement in reasonable detail.

9.5.2 Enforcement of Alios Patent Rights or Joint Patent Rights. Alios shall have the first right, but not an obligation, at its expense to institute, prosecute and control, using counsel of Alios’ choice, any action or proceeding with respect to an Infringement of a patent within the Alios Patent Rights or the Joint Patents, which, if continued, in either Party’s reasonable judgment would be expected to materially affect the Manufacture, use or sale of a Licensed Product or Combination Product; *provided, however*, that (a) prior to initiating any such suit or proceeding, the Parties shall discuss the extent and impact of the Infringement; (b) Alios shall promptly disclose to Vertex all material information related to such action or proceeding; and (c) Alios shall reasonably consider input from Vertex regarding the strategy for such action or proceeding, including the decision to initiate legal action with respect to the Infringement. If Alios institutes any such action or proceeding, then Vertex agrees to be joined as a party plaintiff if necessary for Alios to institute and prosecute such action or proceeding, and to give Alios reasonable assistance and authority to institute and prosecute such action or proceeding. In addition, if the patent alleged to be infringed is owned by a Third Party and Alios does not have authority to require such Third Party to join as a party plaintiff, Alios agrees to use Reasonable Commercial Efforts to cause such Third Party to agree to be joined as a party plaintiff if helpful or necessary for the Parties to prosecute an action or proceeding, and to give Alios reasonable assistance and authority to institute and prosecute such action or proceeding. No settlement of any action or defense which restricts the scope or affects the enforceability of a patent within the Alios Patent Rights may be entered into by Alios without the prior written consent of Vertex, which shall not be unreasonably withheld or delayed. If Alios fails to institute and thereafter prosecute an action or proceeding with respect to such an Infringement within a period of [***] after the earlier of (i) the date of the Parties’ determination that such infringement, in the Parties’ reasonable judgment, if continued, would affect materially the Manufacture, use or sale of a Licensed Product or Combination Product, or (ii) the date of Vertex’s request to institute such an action or proceeding, then Vertex shall have the right, but not the obligation, to institute and/or prosecute and control an action or proceeding in its name with respect to such an Infringement by counsel of Vertex’s choice. To the extent required

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by Applicable Laws, in the event that Vertex institutes any such action or proceeding, Alios agrees to be joined as a party plaintiff if necessary for Vertex to institute and prosecute such action or proceeding, and to give Vertex reasonable assistance and authority to institute and prosecute such action or proceeding.

9.5.3 Enforcement of Vertex Patent Rights. Vertex shall have the first right, but not an obligation, to institute, prosecute and control, using counsel of Vertex's choice, any action or proceeding with respect to an Infringement of a patent within the Vertex Patent Rights, which, if continued, reasonably would be expected to affect the Manufacture, use or sale of a Licensed Product or Combination Product. To the extent permitted by Applicable Laws where either (a) Vertex has brought suit, or (b) the patent alleged infringed is owned by a Third Party and Vertex is authorized to permit Alios to do so, Alios shall have the right, at its own expense, to be represented in any such action or proceeding by counsel of Alios' choice.

9.5.4 Recoveries. Unless otherwise required as a result of prior written agreement, any damages or other monetary awards recovered in an action or proceeding described in **Section 9.5.2 (Enforcement of Alios Patent Rights)** or **Section 9.5.3 (Enforcement of Vertex Patent Rights)** shall be shared in order as follows: [***].

9.5.5 Patent Marking. Vertex shall, and shall require its Affiliates and Sublicensees to, mark Licensed Products and Combination Products sold by or on behalf of it hereunder with appropriate patent numbers or indicia to the extent permitted by Applicable Laws, in those countries in which such markings or such notices impact recoveries of damages or equitable remedies available with respect to infringement of Alios Patent Rights or Joint Patents.

9.5.6 Notification of Patent Certification. Vertex shall notify and provide Alios with copies of any written assertions of alleged patent invalidity, unenforceability or non-infringement of an Alios Patent Right or a Joint Patent pursuant to a Paragraph IV patent certification by a Third Party filing an Abbreviated New Drug Application under Section 505(j) of the FD&C Act, an application under Section 505(b)(2) of the FD&C Act, or a similar patent certification by a Third Party, and any foreign equivalent thereof. Such notification and copies shall be provided to Alios within [***] after Vertex receives such certification. In addition, upon request by Alios, Vertex shall provide reasonable assistance and cooperation (including making available to Alios documents possessed by Vertex that are reasonably required by Alios and making available personnel for interviews and testimony) in any actions reasonably undertaken by Alios in accordance with **Section 9.5.2 (Enforcement of Alios Patent Rights or Joint Patents)** to contest any such patent certification.

9.6 Settlement with a Third Party. Except as otherwise expressly provided in **Section 9.4 (Enforcement of Patents Rights)**, a Party may not settle an action or proceeding against an infringer under **Section 9.4 (Enforcement of Patents Rights)** above with respect to an Infringement without the written consent of the other Party. Such consent shall not be unreasonably withheld or delayed, but may be withheld if such settlement would materially and adversely affect the interest of such other Party.

9.7 Infringement of Third Party Rights. This **Section 9.7 (Infringement of Third Party Rights)** shall apply in the event that a Third Party alleges that intellectual property rights

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owned, held or otherwise controlled by such Third Party are being infringed or have been infringed by Vertex or Alios in performing any activity which such Party is required or permitted to perform under this Agreement. If a Third Party does not allege infringement, but the Parties agree that the development, Manufacture, or Commercialization of a Licensed Product or Combination Product in the Territory would infringe a Third Party patent right, then **Section 7.6.3 (Royalty Adjustment for Third Party Patent Rights)** will apply.

9.7.1 Defense by Vertex. As between Vertex and Alios, Vertex shall have the right but not the obligation to defend or, after consultation with Alios as set forth in this **Section 9.7.1 (Defense by Vertex)**, settle any legal action or proceeding arising from an allegation by a Third Party that the Manufacture, use or sale of a Licensed Product or Combination Product by Vertex or Alios infringes a patent owned, held or otherwise controlled by such Third Party with respect to any claim. In addition, Vertex shall have the right to take appropriate steps to initiate and pursue any challenge, opposition or other similar actions or proceedings, including interference proceedings, relating to a patent application or patent owned, held or otherwise controlled by a Third Party with respect to any matter relating to Licensed Products or Combination Products. Vertex shall promptly disclose to Alios all material information related to any action or proceeding and the Parties shall consult with each other concerning strategy, approaches and the consequences of approaches to be taken pursuant to this **Section 9.7.1 (Defense by Vertex)** by Vertex. Vertex shall not settle or otherwise finally resolve any legal action or proceeding under this **Section 9.7.1 (Defense by Vertex)** without consulting with Alios. If such settlement or resolution involves injunctive or other equitable relief, as opposed to merely a financial settlement, then Vertex shall obtain the written consent of Alios, such consent not to be unreasonably withheld. Alios shall provide all reasonable assistance requested by Vertex in connection with any such action or proceeding. Any and all costs and expenses incurred by either Party under this **Section 9.7.1 (Defense by Vertex)**, as well as any damages or settlement amounts that the Parties are ordered to or agree to pay, shall be shared by the Parties at a rate of (a) [***] for infringement claims based exclusively on the practice by Vertex of any right granted by Alios to Vertex hereunder, (b) [***] for infringement claims based exclusively on the practice by Alios of any right granted by Vertex to Alios hereunder, and (c) [***] for all other claims. Notwithstanding the above, if the resolution of such legal action results in a royalty-bearing license by such Third Party to Vertex, then Vertex shall have the right to adjust Royalty payments as set forth in **Section 7.6.3 (Royalty Adjustment for Third Party Patent Rights)**.

The rights granted to Alios and Vertex, respectively, under this **Section 9.7 (Infringement of Third Party Rights)** to settle certain legal actions or proceedings shall not create any right in Alios or Vertex to grant any right in or to any Licensed Product or Combination Product, or any Patent Right or any Know-How of the other Party, *provided* that this sentence shall not limit any rights Alios or Vertex may possess independently of this **Section 9.7 (Infringement of Third Party Rights)**.

9.8 Trademarks.

9.8.1 Ownership. Vertex shall at its own expense select, register and maintain the trademark(s) used by Vertex, its Affiliates and Sublicensees (the "**Vertex Trademarks**") in connection with Licensed Products or Combination Products. Alios shall have no rights in respect of Vertex Trademarks, except as expressly provided in **Section 13.9.1(d) (Licensed Product and**

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Compound Rights Upon Early Termination). For the avoidance of doubt, Vertex shall have the sole and exclusive right to enforce its trademarks, as determined by Vertex in its sole discretion, and to retain all recoveries.

9.8.2 Notice of Unauthorized Use. Alios agrees to give Vertex prompt written notice of any unlicensed use by Third Parties of Vertex Trademarks of which Alios has knowledge.

9.9 Approval Applications and Regulatory Approvals.

9.9.1 Ownership. Subject to the rights granted to or owned by Alios hereunder, Vertex shall own all right, title and interest in all Approval Applications necessary to obtain Regulatory Approvals required for marketing and sale of Licensed Products or Combination Products or any other activity to be engaged in by Vertex under this Agreement, together with any Regulatory Approval obtained in connection therewith. Such Approval Applications, together with any Regulatory Approvals obtained in connection therewith, shall be filed in Vertex's name and owned by Vertex.

9.9.2 Orange Book and Related Listings. To the extent required by or permitted by Applicable Laws, Vertex will use Reasonable Commercial Efforts to promptly, accurately and completely list, with the applicable Regulatory Authorities during the Term, all applicable Alios Patent Rights or Joint Patents for any Licensed Product or Combination Product that Vertex intends to, or has begun to, Commercialize, and that have become the subject of an Approval Application submitted to the FDA or their foreign equivalents, such listing to include all so called "Orange Book" listings required under the Hatch-Waxman Act and all so called "Patent Register" listings as required in Canada. Prior to such listings, the Parties will meet to evaluate, identify, and agree upon all applicable Alios Patent Rights and Joint Patents to be listed.

9.9.3 Data Exclusivity. With respect to data exclusivity periods provided by Regulatory Approval under the FD&C Act or its foreign equivalents or periods under national implementations of Article 9.1(a)(iii) of the Directive 2001/EC/83, any future laws or regulations covering similar subject matter, and all international equivalents, Vertex shall use Reasonable Commercial Efforts consistent with its obligations under Applicable Laws (including any applicable consent order) to seek, maintain and enforce all such data exclusivity periods available for Licensed Products or Combination Products.

ARTICLE 10 CONFIDENTIALITY

10.1 Confidentiality; Exceptions. Except as otherwise provided in this Agreement, the Parties agree that, during the Term and for the longer of (a) [***] after disclosure and (b) [***] after the end of the Term, all non-public, proprietary information and data, including invention disclosures, Know-How, data, and scientific, clinical, regulatory, manufacturing, marketing, commercial, technical and financial information or data, related to the Licensed Compounds and the activities contemplated by this Agreement and including non-public, proprietary information exchanged between the Parties pursuant to a certain nondisclosure agreement entered into by the Parties dated February 15, 2011 (the "Confidentiality Agreement") (collectively, "Confidential

Information"), disclosed or submitted, either orally or in writing (including by electronic means) or through observation, by one Party (the "Disclosing Party") to the other Party (the "Receiving Party") hereunder shall be received and maintained by the Receiving Party in confidence, shall not be used for any purpose other than the purposes expressly permitted by this Agreement, and shall not be disclosed to any Third Party (including in connection with any publications, presentations or other disclosures) except as expressly permitted by this Agreement. Each Party will promptly notify the other upon discovery of any unauthorized use or disclosure of the Confidential Information. Confidential Information belongs to and shall remain the property of the Disclosing Party. The provisions of this **ARTICLE 10 (Confidentiality)** shall not apply to any information that can be shown by the Receiving Party:

10.1.1 To have been known to or in the possession of the Receiving Party prior to the date of its actual receipt from the Disclosing Party without breaching any provision of this Agreement or any other agreement between the Parties or of any agreement between the Disclosing Party and a Third Party, by such Third Party;

10.1.2 To be or to have become available to the public other than through any act or omission of the Receiving Party in breach of this Agreement or any other agreement between the Parties;

10.1.3 To have been disclosed to the Receiving Party, other than under an obligation of confidentiality, by a Third Party that had no obligation to the Disclosing Party not to disclose such information to others; or

10.1.4 To have been subsequently independently developed by the Receiving Party without use of the Confidential Information as demonstrated by competent contemporaneous tangible records.

10.2 Authorized Disclosure. Each Party may disclose the other Party's Confidential Information hereunder solely to the extent such disclosure is reasonably necessary in connection with complying with Applicable Laws; *provided* that in the event of any such disclosure of the Disclosing Party's Confidential Information by the Receiving Party, the Receiving Party will, except where impracticable, give reasonable advance notice to the Disclosing Party of such disclosure requirement (so that the Disclosing Party may seek a protective order and or other appropriate remedy or waive compliance with the confidentiality provisions of this **ARTICLE 10 (Confidentiality)**) and will use its Reasonable Commercial Efforts to secure confidential treatment of such Confidential Information required to be disclosed. Confidential Information may be disclosed by Alios to Third Parties bound by confidentiality and non-use restrictions at least as restrictive as those set forth in this **ARTICLE 10 (Confidentiality)** to the extent such Confidential Information (a) is disclosed to *bona fide* potential or actual investors in or acquirers of Alios; or (b) is disclosed to attorneys, bankers or other financial institutions in connection with obtaining loans, financing, or other financial services; *provided*, in each case, that Alios shall limit such disclosure of Confidential Information to information Alios reasonably determines is material to such Third Party's potential investment in, acquisition of, loan to, financial arrangement with or other services to be

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such Confidential Information to achieve the purposes of this Agreement; *provided, however*, that such Party shall ensure that its and its Affiliates' or Sublicensees' directors, officers, employees, agents, consultants, Outside Contractors, and clinical investigators to whom disclosure is to be made are bound by confidentiality and non-use restrictions at least as restrictive as those set forth in this **ARTICLE 10 (Confidentiality)**, and (ii) to the extent such disclosure is reasonably necessary in connection with submissions to any Governmental Authority for the purposes of this Agreement or in filing or prosecuting patent applications contemplated under this Agreement; *provided* that in the event of any such disclosure of the Disclosing Party's Confidential Information by the Receiving Party, the Receiving Party will use its Reasonable Commercial Efforts to secure confidential treatment of such Confidential Information required to be disclosed.

10.3 Return of Confidential Information. Each Receiving Party shall keep Confidential Information belonging to the Disclosing Party in appropriately secure locations. Upon expiration or termination of this Agreement, any and all Confidential Information possessed in tangible form by a Receiving Party, its Affiliates or Sublicensees, or its or any of their directors, officers, employees, agents, consultants, Outside Contractors, and clinical investigators and belonging to the Disclosing Party, shall, upon written request, be destroyed to the extent practicable and not used or disclosed by the Receiving Party, its Affiliates or Sublicensees, or any of their directors, officers, employees, agents, consultants, Outside Contractors, and clinical investigators; *provided, however*, that a Party may retain one (1) copy of any Confidential Information in an appropriately secure location solely for use by its legal department to ensure compliance with the confidentiality provisions of this Agreement.

10.4 Publications. Alios and Vertex each acknowledge the other Party's interest in publishing the results of its scientific research in order to obtain recognition within the scientific community and to advance the state of scientific knowledge. Authorship of any publication shall be determined based on the accepted standards used in peer-reviewed, academic journals at the time of the proposed publication. Each Party also recognizes the mutual interest in obtaining valid patent protection and in protecting business interests and trade secret information. Consequently, except for disclosures permitted pursuant to **Section 10.1 (Confidentiality; Exceptions)** and **Section 10.2 (Authorized Disclosure)**, if either Party, its employees or consultants wishes to publish or present to any Third Party, results of the Research Work, or the results of any program to discover or develop Licensed Compounds, Licensed Products or Combination Products, or any clinical data or clinical information about a Licensed Compound, Licensed Product or Combination Product being Developed pursuant to this Agreement, it shall deliver to the other Party a copy of the proposed written publication or an outline of an oral disclosure as soon as practicable prior to submission for publication or presentation. The reviewing Party shall notify the other Party promptly after of receipt of such proposed publication whether such draft publication contains (i) Confidential Information of the reviewing Party, or (ii) information that if published would have an adverse effect on a patent application covering the subject matter of this Agreement. The reviewing Party shall have the right to (a) propose modifications to the publication or presentation for patent reasons, trade secret reasons, confidentiality reasons or business reasons and/or (b) request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests a delay to protect patentable information, the publishing Party shall delay submission or presentation for a period not to exceed [***] to enable patent applications protecting each Party's rights in such information to be filed in accordance with the terms of this Agreement. Upon

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expiration of such [***], the publishing Party shall be free to proceed with the publication or presentation. If the reviewing Party reasonably requests modifications to the publication or presentation to prevent disclosure of material trade secret or proprietary business information, the publishing Party shall edit such publication to prevent the disclosure of such information prior to submission of the publication or presentation.

Once approval for a publication or presentation has been granted, the Parties shall be entitled to use the specific information contained in such publication or presentation after the date of its publication or presentation without seeking further approval. General comments made by a Party relating to the relationship between Vertex and Alios established by this Agreement, including, for example, general comments made in response to inquiries at professional meetings and other similar circumstances, are not intended to be restricted by the provisions of this **ARTICLE 10 (Confidentiality)**, *provided* such information has been disclosed to the public previously or cleared for such disclosure by the other Party.

10.5 Press Releases.

10.5.1 Alios and Vertex shall agree upon the timing and content of an initial press release relating to this Agreement and the transactions contemplated herein, which is attached as **Exhibit C (Press Release)** to this Agreement. Except to the extent already disclosed in that initial press release, no disclosure of the subject matter of this Agreement or its terms may be made by either Party, and no Party shall use the name, trademark, trade name or logo of the other Party or its employees in any publicity, news release or disclosure relating to this Agreement or its subject matter, without the prior express written permission of the other Party, except as may be required by Applicable Laws, regulations, or judicial order. The Party desiring to make any such public announcement shall provide the other Party with a written copy of the proposed announcement in sufficient time prior to public release to allow such other Party to comment upon such announcement, prior to public release. Nothing in this **Section 10.5 (Press Releases)** shall be deemed to restrict the disclosure of any information, the content of which has been previously disclosed in a press release.

10.5.2 In addition to the foregoing restrictions on public disclosure, if either Party concludes that a copy of this Agreement must be filed with the Securities and Exchange Commission, such Party shall provide the other Party with a copy of this Agreement showing any sections as to which the Party proposes to request confidential treatment, will provide the other Party with an opportunity and a reasonable time period to comment on any such proposal and to suggest additional portions of the Agreement for confidential treatment and will take such Party's reasonable comments into consideration before filing the Agreement. If the filing Party disagrees with the other Party's additional confidential treatment request, the Parties shall have an opportunity to discuss such matter in good faith before the Agreement is filed.

ARTICLE 11
REPRESENTATIONS, WARRANTIES AND COVENANTS

11.1 Representations and Warranties of the Parties. Each Party represents and warrants to the other Party that:

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11.1.1 Such Party is duly organized and validly existing and in good standing under the laws of the jurisdiction of its organization;

11.1.2 Such Party has the full corporate power and is duly authorized to enter into, execute and deliver this Agreement, and to carry out and otherwise perform its obligations hereunder;

11.1.3 This Agreement has been duly executed and delivered by, and is the legal and valid obligation binding upon such Party and the entry into, the execution and delivery of, and the carrying out and other performance of its obligations under this Agreement by such Party (a) does not conflict with, or contravene or constitute any default under, any agreement, instrument or understanding, oral or written, to which it is a party, including its certificate of incorporation or by-laws, and (b) does not violate Applicable Law or any judgment, injunction, order or decree of any Governmental Authority having jurisdiction over it;

11.1.4 No government authorization, consent, approval, license, exemption of or filing or registration with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, under any Applicable Law currently in effect, is or will be necessary for, or in connection with, the transaction contemplated by this Agreement or any other agreement or instrument executed in connection herewith, or for the performance by it of its obligations under this Agreement and such other agreements except as may be required to obtain Hart-Scott-Rodino clearance or other clearances as required by other Governmental Authorities;

11.1.5 All of its employees, officers, contractors, and consultants have executed agreements requiring assignment to such Party of all right, title and interest in and to their inventions and discoveries they have invented or otherwise discovered or generated during the course of and as a result of their association with such Party, whether or not patentable, if any, to such Party as the sole owner thereof;

11.1.6 All of its employees, officers, contractors, and consultants have executed agreements obligating each such employee, officer, contractor, and consultant to maintain as confidential the Confidential Information of such Party; and

11.1.7 Neither such Party, nor any of its employees, officers, subcontractors, or consultants who have rendered or will render services relating to the Back-up Compounds, Follow-on Compounds, Licensed Compounds, Licensed Products or Combination Products: (a) has ever been debarred or is subject or debarment or convicted of a crime for which an entity or person could be debarred by the FDA under 21 U.S.C. Section 335a (or subject to a similar sanction of any other Governmental Authority) or (b) has ever been under indictment for a crime for which a person or entity could be so debarred.

11.2 Representations, Warranties and Covenants of Alios. Alios represents, warrants and covenants to Vertex that:

11.2.1 There are not as of the Effective Date, nor have there been over the five (5) year period immediately preceding the Effective Date, any claims, lawsuits, arbitrations, legal or administrative or regulatory proceedings, charges, complaints or investigations by any

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Governmental Authority (except for any Governmental Authority with authority over the granting of patents and proceedings relating thereto) or other Third Party threatened, commenced or pending against Alios or, to Alios' knowledge, its licensors relating to, and Alios has not received any notice of infringement with respect to, the Alios IP;

11.2.2 As of the Effective Date, Alios has full right and authority to grant the licenses and rights herein to Vertex and it has not granted any rights to any Third Party under the Alios IP that are inconsistent with the rights granted to Vertex under this Agreement;

11.2.3 As of the Effective Date, [***]. As of the Effective Date, Alios is the sole owner of all Alios Patent Rights set forth on **Schedule 1.7 (Alios Patent Rights)**;

11.2.4 As of the Effective Date, [***];

11.2.5 In the course of performing Development Work related to any Licensed Product, Alios shall not use any employee or consultant who has ever been debarred or is the subject of debarment or convicted of a crime for which an entity or person could be debarred (including by the FDA under 21 U.S.C. § 335a (or subject to a similar sanction of any other Governmental Authority)). Alios shall notify Vertex promptly upon becoming aware that any of its employees or consultants has been debarred or is the subject of debarment proceedings by any Regulatory Authority;

11.2.6 Alios shall comply in all material respects with all Applicable Laws in performing Development Work and Manufacturing Licensed Products under this Agreement, including the statutes, regulations and written directives of the FDA, the EMA and any Regulatory Authority having jurisdiction in the Territory, the FD&C Act, the Prescription Drug Marketing Act, the Federal Health Care Programs Anti-Kickback Law, 42 U.S.C. § 1320a-7b(b), the statutes, regulations and written directives of Medicare, Medicaid and all other health care programs, as defined in 42 U.S.C. § 1320a-7b(f), and the Foreign Corrupt Practices Act of 1977, each as may be amended from time to time;

11.2.7 Alios shall not knowingly infringe the intellectual property rights of any Third Party in connection with its activities pursuant to this Agreement;

11.2.8 All of Alios' employees, officers, contractors, and consultants involved in Development of the Licensed Compounds and Licensed Products or who are provided Confidential Information of Alios or Vertex shall be obligated to assign to Alios all inventions relating to such Licensed Compounds and Licensed Products and to maintain as confidential the Confidential Information of Alios and Vertex;

11.2.9 As of the Effective Date, to Alios' actual knowledge, the Lead Compound clinical material required for the Phase 1 Clinical Trials that has been Manufactured by Alios' Outside Contractors is GMP-compliant;

11.2.10 [***]

11.2.11 [***].

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11.3 Representations, Warranties and Covenants of Vertex. Vertex represents, warrants and covenants to Alios that:

11.3.1 In the course of its Development of any Licensed Product or Combination Product, Vertex shall not use any employee or consultant who has ever been debarred or is the subject of debarment or convicted of a crime for which an entity or person could be debarred (including by the FDA under 21 U.S.C. § 335a (or subject to a similar sanction of any other Governmental Authority)). Vertex shall notify Alios promptly upon becoming aware that any of its employees or consultants has been debarred or is the subject of debarment proceedings by any Regulatory Authority;

11.3.2 Vertex and its Affiliates shall comply in all material respects with all Applicable Laws in the Development, Manufacture, and Commercialization of Licensed Products or Combination Product performed under this Agreement, including the statutes, regulations and written directives of the FDA, the EMA and any Regulatory Authority having jurisdiction in the Territory, the FD&C Act, the Prescription Drug Marketing Act, the Federal Health Care Programs Anti-Kickback Law, 42 U.S.C. § 1320a-7b(b), the statutes, regulations and written directives of Medicare, Medicaid and all other health care programs, as defined in 42 U.S.C. § 1320a-7b(f), and the Foreign Corrupt Practices Act of 1977, each as may be amended from time to time;

11.3.3 Vertex shall not engage in any activities that use the Alios IP in a manner that is outside the scope of the license rights granted to Vertex under this Agreement;

11.3.4 Vertex shall not knowingly infringe the intellectual property rights of any Third Party in connection with its activities pursuant to this Agreement; and

11.3.5 All of Vertex's employees, officers, contractors, and consultants involved in development of the Licensed Compounds, Licensed Products or Combination Products or provided Confidential Information of Alios or Vertex shall be obligated to assign to Vertex all inventions relating to such Licensed Compounds, Licensed Products and Combination Products and to maintain as confidential the Confidential Information of Vertex and Alios.

11.4 Disclaimer. The Parties understand that the Licensed Compounds, Licensed Products and Combination Products and all drugs and drug candidates that may be evaluated in combination with Licensed Compounds, Licensed Products and Combination Products pursuant to this Agreement are the subject of ongoing clinical research and development and that neither Party can assure the safety or usefulness of any Licensed Compound, Licensed Product and/or Combination Product. In addition, neither Party makes any warranties except as set forth in this **ARTICLE 11 (Representations, Warranties and Covenants)** concerning the Alios IP or the Vertex IP. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, THE PARTIES MAKE NO REPRESENTATIONS OR WARRANTIES OF ANY KIND WHATSOEVER, EITHER EXPRESS OR IMPLIED, WRITTEN OR ORAL, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY, WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE, OR WARRANTY OF NON-INFRINGEMENT.

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ARTICLE 12 INDEMNIFICATION, INSURANCE, LIMITATION OF LIABILITY

12.1 Indemnification by Vertex. Except for any actions or liabilities arising out of infringement of Third Party patent rights addressed by **Section 9.7.1 (Defense by Vertex)**, Vertex hereby agrees to save, defend, and hold Alios, its Affiliates and their officers, directors, employees and agents harmless from and against any and all Third Party claims or actions for losses, damages, liabilities, costs and expenses, including reasonable attorneys' fees and expenses that arise in connection therewith, (collectively, "**Losses**") to the extent resulting from or arising out of (a) the research of any Licensed Compound by Vertex, its Affiliates or Sublicensees or independent contractors; (b) the Development or Manufacture of Licensed Compounds, Licensed Products and Combination Products by Vertex, its Affiliates or Sublicensees or independent contractors; (c) the storage of Licensed Compounds, Licensed Products, Combination Products or the conversion of Licensed Products and Combination Products from bulk to finished form by Vertex, its Affiliates or Sublicensees or independent contractors; (d) the Commercialization of Licensed Products and Combination Products by Vertex, its Affiliates or Sublicensees or independent contractors (except in the cases of clauses (a) through (d) to the extent caused by the negligence or willful misconduct of, or failure to comply with Applicable Laws or material breach of this Agreement by, Alios or its Affiliates or Outside Contractors (other than Vertex or an Affiliate of Vertex), and its or their directors, officers, agents, employees, consultants or clinical investigators, and except to the extent such Losses result from or arise out of any act or omission for which Alios is found to have an indemnification obligation pursuant to **Section 12.2 (Indemnification by Alios)** of this Agreement); (e) the

negligence or willful misconduct of Vertex or its Affiliates, licensees or Sublicensees, and its or their directors, officers, agents, employees, or consultants or clinical investigators in connection with Vertex's exercise of its rights and performance of its obligations under this Agreement; (f) the material breach by Vertex of any representation, warranty, covenant or other provision of this Agreement; or (g) any of Vertex's activities under this Agreement that infringe any patent owned or otherwise controlled by a Third Party with respect to any component or portion of any Combination Product that does not constitute a Licensed Compound.

12.2 Indemnification by Alios. Except for any actions or liabilities arising out of infringement of Third Party patent rights addressed by **Section 9.7.1 (Defense by Vertex)**, Alios hereby agrees to save, defend and hold Vertex, its Affiliates and their officers, directors, employees and agents harmless from and against any and all Losses to the extent resulting from or arising out of (a) the research or Development of any Alios Compound by Alios or its Affiliates or independent contractors under this Agreement; (b) Alios' Manufacture, use or storage of Alios Compounds, (except in cases of clauses (a) and (b) to the extent caused by the negligence or willful misconduct of, or failure to comply with Applicable Laws or material breach of terms of this Agreement by, Vertex or its Affiliates, licensees or Sublicensees and its or their directors, officers, agents, employees, consultants or clinical investigators); (c) the negligence or willful misconduct of Alios, or its Affiliates, and its or their directors, officers, agents, employees or consultants in connection with Alios' exercise of its rights and performance of its obligations under this Agreement; or (d) the material breach by Alios of any representation, warranty, covenant or other provision of this Agreement.

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12.3 Indemnification Procedure.

12.3.1 Each indemnified Party (the "**Indemnitee**") agrees to give the indemnifying Party (the "**Indemnitor**") prompt written notice of any Losses or discovery of fact upon which the Indemnitee intends to base a request for indemnification. Notwithstanding the foregoing, the failure to give timely notice to the Indemnitor shall not release the Indemnitor from any liability to the Indemnitee to the extent the Indemnitor is not prejudiced by the delay in providing such notice.

12.3.2 The Indemnitee shall furnish promptly to the Indemnitor copies of all papers and official documents in the Indemnitee's possession or control that relate to any Losses; *provided, however*, that if the Indemnitee defends or participates in the defense of any Losses, then the Indemnitor shall also provide such papers and documents to the Indemnitee. The Indemnitee shall cooperate with the Indemnitor in providing witnesses and records necessary in the defense against any Losses.

12.3.3 The Indemnitor shall have the right, by prompt notice to the Indemnitee, to assume direction and control of the defense of any Third Party claim forming the basis of such Losses, with counsel reasonably acceptable to the Indemnitee and at the sole cost of the Indemnitor, so long as (a) the Indemnitor shall promptly notify the Indemnitee in writing (but in no event more than *******) after the Indemnitor's receipt of notice of the claim) that the Indemnitor intends to indemnify the Indemnitee from and against any Losses the Indemnitee may suffer arising out of the claim absent the development of facts that give the Indemnitor the right to claim indemnification from the Indemnitee and (b) the Indemnitor diligently pursues the defense of the claim.

12.3.4 If the Indemnitor assumes the defense of the claim as provided in **Section 12.3.3 (Indemnification Procedure)** or **Section 12.3.5 (Indemnification Procedure)**, the Indemnitee may participate in such defense with the Indemnitee's own counsel, reasonably acceptable to Indemnitor, who shall be retained, at the Indemnitee's sole cost and expense; *provided, however*, that neither the Indemnitee nor the Indemnitor shall consent to the entry of any judgment or enter into any settlement with respect to the claim without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed. If the Indemnitee withholds consent in respect of a judgment or settlement involving only the payment of money by the Indemnitor and which would not involve any stipulation or admission of liability or result in the Indemnitee becoming subject to injunctive relief or other relief, the Indemnitor shall have the right, upon notice to the Indemnitee within ******* after receipt of the Indemnitee's written denial of consent, to pay to the Indemnitee, or to a trust for its or the Third Party's benefit, as shall be established at trial or by settlement, the full amount of the Indemnitor's obligation under **Section 12.1 (Indemnification by Vertex)** or **Section 12.2 (Indemnification by Alios)**, as applicable, with respect to such proposed judgment or settlement, including all interest, costs or other charges relating thereto, together with all attorneys' fees and expenses incurred to such date for which the Indemnitor is obligated under this Agreement, if any, at which time the Indemnitor's rights and obligations with respect to the claim shall cease.

12.3.5 If the Indemnitor does not so assume the defense of such claim, the Indemnitee may conduct such defense with counsel of the Indemnitee's choice but may not settle such case without the written consent of the Indemnitor, such consent not to be unreasonably

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withheld or delayed. In addition, the Indemnitor shall have the right to assume control of the defense, at its own expense, at any time upon ******* prior notice to the Indemnitee.

12.3.6 Except as provided in **Section 12.3.5 (Indemnification Procedure)**, the Indemnitor shall not be liable for any settlement or other disposition of a Loss by the Indemnitee that is reached without the written consent of the Indemnitor.

12.3.7 Except as otherwise provided in this **Section 12.3 (Indemnification Procedure)**, the portion of costs and expenses, including reasonable fees and expenses of counsel, incurred by any Indemnitee under **Section 12.3.5 (Indemnification Procedure)** in connection with any claim corresponding to the Indemnitor's obligation under **Section 12.1 (Indemnification by Vertex)** or **Section 12.2 (Indemnification by Alios)**, as applicable, shall be reimbursed on a ******* basis by the Indemnitor, for so long as the Indemnitee controls the defense of the claim, without prejudice to the Indemnitor's right to contest the Indemnitee's right to indemnification and subject to refund in the event the Indemnitor is ultimately held not to be obligated to indemnify the Indemnitee.

12.3.8 Each Indemnitee will take and will procure that its Affiliates take all such reasonable steps and action as are reasonably necessary or as the Indemnitor may reasonably require in order to mitigate any Third Party Claims (or potential losses or damages) under this **ARTICLE 12 (Indemnification, Insurance, Limitation of Liability)**. Nothing in this Agreement shall or shall be deemed to relieve any Party of any common law or other duty to mitigate any losses incurred by it.

12.4 Insurance.

12.4.1 Vertex Responsibilities. For so long as Vertex is conducting Clinical Trials using Licensed Products or Combination Products or Manufacturing, marketing, promoting, distributing and selling Licensed Products or Combination Products under this Agreement, Vertex shall either provide reasonably satisfactory evidence to Alios of Vertex's self-insurance or obtain product liability insurance for the benefit of Vertex, covering such Licensed Products or Combination Products under terms that are similar to that obtained by Vertex for Vertex's other similar marketed and sold products or compounds being evaluated in Clinical Trials.

12.4.2 Alios Responsibilities. With respect to Alios [***] under this Agreement, Alios shall obtain product liability insurance according to industry standards for similar activities for the benefit of Alios.

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12.5 Limitation of Liability. EXCEPT FOR EACH PARTY'S INDEMNIFICATION OBLIGATIONS HEREUNDER, ANY CLAIMS RELATED TO ONE PARTY'S INFRINGEMENT OF THE OTHER PARTY'S INTELLECTUAL PROPERTY OUTSIDE OF THE RIGHTS AND LICENSES GRANTED HEREUNDER, AND/OR ANY BREACH OF **ARTICLE 10 (CONFIDENTIALITY)**, UNDER NO CIRCUMSTANCES SHALL A PARTY HEREOF BE LIABLE TO THE OTHER PARTY HEREOF FOR CONSEQUENTIAL, INCIDENTAL, PUNITIVE OR SPECIAL DAMAGES.

ARTICLE 13 TERM AND TERMINATION

13.1 Term

13.1.1 Expiration. This Agreement shall commence on the Effective Date and shall expire, on a country-by-country and Licensed Product-by-Licensed Product or Combination-Product-by-Combination Product basis, on the expiration of the Royalty Term under this Agreement (until the expiration of the last such Royalty Term, the "**Term**"). Notwithstanding any other provision of this Agreement, on expiration of this Agreement in accordance with the provisions of this **Section 13.1.1 (Expiration)**, the licenses granted by Alios to Vertex hereunder shall become fully paid and irrevocable in each country and as to each Licensed Product or Combination Product, as the case may be.

13.1.2 Notwithstanding the provisions of **Section 13.1.1 (Expiration)**, this Agreement may be terminated prior to expiration (by early termination) in accordance with the terms and conditions of this **ARTICLE 13 (Term and Termination)**.

13.2 Termination at Will or for Technical Failure

13.2.1 Termination at Will. Vertex may terminate this Agreement in its entirety in Vertex's sole discretion, upon not less than sixty (60) days' prior written notice to Alios, at any time after completion of the Phase 2a Clinical Trial in accordance with the Development Plan.

13.2.2 Termination for Technical Failure. Vertex may terminate this Agreement at any time in Vertex's sole discretion, upon not less than thirty (30) days' prior written notice to Alios, in its entirety, if both Lead Compounds experience a Technical Failure and Vertex does not choose to go forward with a Selected Back-up Compound (or if Vertex elects to go forward with a Selected Back-up Compound for either Lead Compound and both Lead Compounds have experienced a Technical Failure, the Selected Back-up Compound later experiences a Technical Failure).

13.3 Termination for Cause.

13.3.1 Termination for Material Breach. If either Party commits a material breach of this Agreement at any time, which breach is not cured within [***] in the case of a breach consisting of an undisputed non-payment of money, or [***] in the case of any other material

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breach, after written notice from the non-breaching Party specifying the breach, subject to **Section 13.3.2 (Disagreement as to Material Breach, Tolling of Cure Period)**, the non-breaching Party shall have the right to terminate this Agreement by written notice to the breaching Party. The Parties acknowledge and agree that failure to exercise any right or option, or to take any action expressly within the discretion of a Party shall not be deemed to be a material breach hereunder.

13.3.2 Disagreement as to Material Breach, Tolling of Cure Period. If the Parties reasonably and in good faith disagree as to whether there has been a material breach of this Agreement, the Party that disputes that there has been a material breach may contest the allegation in accordance with **Section 14.3 (Dispute Resolution)** and the cure period shall be tolled until such time as the dispute is resolved pursuant to **Section 14.3 (Dispute Resolution)**. Any such termination of this Agreement under this **Section 13.3 (Termination for Cause)** will become effective at the end of the cure period, unless the breaching party has cured any such breach or default prior to expiration of such cure period, or, if such breach is not susceptible to cure within the cure period, then the non-breaching Party's right to termination shall be suspended only if and for so long as the breaching Party has provided to the non-breaching Party a written plan that is reasonably calculated to effect a cure and such plan is reasonably acceptable to the non-breaching Party, and

the breaching Party commits to making diligent good faith efforts to carry out and does carry out such plan as provided to the non-breaching Party. The right of either Party to terminate this Agreement as provided in this **Section 13.3 (Termination for Cause)**, will not be affected in any way by such Party's waiver or failure to take action with respect to any previous default. It is understood and acknowledged that, during the pendency of such a dispute, all of the terms and conditions of this Agreement shall remain in effect, and the Parties shall continue to perform all of their respective obligations under this Agreement. Any payments that are made by one Party to the other Party pursuant to this Agreement pending resolution of the dispute shall be promptly refunded if an arbitrator determines pursuant to **Section 14.3 (Dispute Resolution)** that such payments are to be refunded by one Party to the other Party.

13.4 Termination for Insolvency. To the extent permitted by Applicable Laws, either Party may terminate this Agreement upon written notice to the other Party on or after the occurrence of any of the following events: (a) the appointment of a trustee, receiver or custodian for all or substantially all of the property of the other Party, or for any lesser portion of such property, if the result materially and adversely affects the ability of the other Party to fulfill its obligations hereunder, which appointment is not dismissed [***], (b) the determination by a court or tribunal of competent jurisdiction that the other Party is insolvent such that a Party's liabilities exceed the fair market value of its assets, (c) the filing of a petition for relief in bankruptcy by the other Party on its own behalf, or the filing of any such petition against the other Party if the proceeding is not dismissed or withdrawn [***] thereafter, (d) an assignment by the other Party for the benefit of creditors, or (e) the dissolution or liquidation of the other Party. All rights and licenses granted under or pursuant to this Agreement by one Party to the other Party are, and shall otherwise be deemed to be, for the purposes of Section 365(n) of the Bankruptcy Code, licenses of rights to "intellectual property" as defined under Section 101(35A) of the Bankruptcy Code. The Parties agree that both Parties, as licensees of such rights and licenses, shall retain and may fully exercise all of their rights and elections under the Bankruptcy Code.

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13.5 HSR Filing. If Vertex reasonably determines that an HSR Filing is required, each of Alios and Vertex shall, [***] after the Execution Date (or such later time as may be agreed to in writing by the Parties) file with the United States Federal Trade Commission and the Antitrust Division of the United States Department of Justice any HSR Filing required of it under the HSR Act. The Parties shall cooperate with one another to the extent necessary in the preparation of any such HSR Filing. Each Party shall be responsible for its own costs, expenses, and filing fees associated with any HSR Filing; *provided, however,* that Vertex shall be solely responsible for any fees (other than penalties that may be incurred as a result of actions or omissions on the part of Alios) required to be paid to any governmental agency in connection with making any such HSR filing for acquisitions by Vertex hereunder.

13.5.1 Termination Upon HSR Denial. If the Parties make an HSR Filing under **Section 13.5 (HSR Filing)** hereof, then this Agreement shall terminate (a) at Vertex's option, immediately upon notice to Alios, in the event that the United States Federal Trade Commission or the United States Department of Justice seeks a preliminary injunction under the HSR Act against Alios and/or Vertex to enjoin the transactions contemplated by this Agreement; (b) at the election of either Party, immediately upon notice to the other Party, in the event that the United States Federal Trade Commission or the United States Department of Justice obtains a preliminary injunction under the HSR Act against Alios and/or Vertex to enjoin the transactions contemplated by this Agreement; or (c) at the election of either Party, immediately upon notice to the other Party, in the event that the HSR Clearance Date shall not have occurred on or prior to one hundred eighty (180) days after the effective date of the HSR Filing. Notwithstanding the foregoing, this **Section 13.5** shall not apply in the event that Vertex reasonably determines that an HSR Filing is not required.

13.6 [***].

13.7 [***].

13.8 Rights on Termination.

13.8.1 Termination of Licenses. If Vertex terminates this Agreement under **Section 13.2 (Termination at Will or for Technical Failure)**, or if Alios terminates this Agreement under **Section 13.3 (Termination for Cause)**, **Section 13.4 (Termination for Insolvency)** [***], all rights and licenses granted to Vertex under this Agreement, other than the license granted to Vertex in **Section 9.1.4 (Assigned Rights)**, shall immediately terminate and revert to Alios. Thereafter, Vertex shall have no further right or interest in, to or under any intellectual property Controlled by Alios pursuant to this Agreement and, except as provided **Section 13.9 (Licensed Product and Compound Reversion and Commercial Development by Alios)** with respect to Alios' rights under certain circumstances to obtain certain licenses from Vertex, [***], Alios shall have no right or interest in, to or under, or with respect to, any intellectual property of Vertex pursuant to this Agreement. All payment obligations, including license fees, milestone payments and Royalties, of Vertex that have accrued as of the date of termination notice and that are neither cancellable nor refundable, shall be immediately due and payable to Alios.

13.8.2 Survival of Licenses in Case of Certain Vertex Terminations. If Vertex terminates this Agreement pursuant to **Section 13.3 (Termination for Cause)** or

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Section 13.4 (Termination for Insolvency), the licenses set forth in **Section 8.1.1 (License by Alios to Vertex)** shall survive such termination, subject to Vertex, should Vertex accept such right and license, of the grant of such right and license to Vertex and subject to Vertex's continuing Development and Commercialization milestone payment and Royalty obligations under **ARTICLE 7 (LICENSES)** of this Agreement for the remainder of the Term as defined in **Section 13.1.1 (Expiration)** without reference to the date of termination of this Agreement pursuant to **Section 13.3 (Termination for Cause)** or **Section 13.4 (Termination for Insolvency)**.

13.8.3 Termination of Rights and Return of Confidential Information. Except as otherwise provided in this **Section 13.8.3 (Termination of Rights and Return of Confidential Information)** and except as otherwise required to effect the other provisions of this **ARTICLE 13 (Term and Termination)**, in the event this Agreement is terminated for any reason, (a) except as otherwise expressly provided in this Agreement, all rights and obligations of the Parties under this Agreement shall terminate; (b) Vertex shall surrender to Alios, or destroy and provide Alios with a certificate signed

by a Responsible Executive of Vertex attesting to the destruction of, all copies of any Confidential Information provided by Alios hereunder; and (c) Alios shall surrender to Vertex, or destroy and provide Vertex with a certificate signed by a Responsible Executive of Alios attesting to the destruction of, all copies of any Confidential Information provided by Vertex hereunder; *provided, however*, that a Party may retain one (1) copy of any Confidential Information in an appropriately secure location.

13.9 Licensed Product and Licensed Compound Reversion and Commercial Development by Alios.

13.9.1 Licensed Product and Compound Rights Upon Early Termination. If Alios terminates this Agreement under **Section 13.3 (Termination for Cause)**, **Section 13.4 (Termination for Insolvency)**, [***] or if Vertex terminates this Agreement under **Section 13.2 (Termination at Will or for Technical Failure)**, then, on the effective date of such termination all licenses granted hereunder to Vertex, other than the license granted to Vertex in **Section 9.1.4 (Assigned Rights)**, shall terminate as of such termination date, and Vertex shall and hereby does grant to Alios a nonexclusive, worldwide, fully paid-up, royalty-free license under Vertex IP (with the right to sublicense through multiple tiers or subcontract) solely to the extent necessary to Develop, have Developed, Manufacture, have Manufactured, use, offer to sell, sell or import Licensed Compounds and Licensed Products as of the effective date of termination.

13.9.2 Post Termination Technology Transfer. If Alios terminates this Agreement under **Section 13.3 (Termination for Cause)**, **Section 13.4 (Termination for Insolvency)**, [***] or if Vertex terminates this Agreement under **Section 13.2 (Termination at Will or for Technical Failure)**, then Vertex shall reasonably cooperate with Alios in order to enable Alios to promptly assume the Development and/or Commercialization of all Licensed Compounds and Licensed Products then being Commercialized or in Development by Vertex in the Territory. Such cooperation and assistance shall be provided in a timely manner (having regard to the nature of the cooperation or assistance requested) and shall include the following at no cost to Alios:

(a) All filings with Regulatory Authorities concerning Licensed Products shall be assigned or otherwise transferred to Alios as soon as practicable and at Vertex's

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expense, and any reports required to be made to any Regulatory Authority covering any periods prior to the effective date of termination of this Agreement shall be prepared promptly and filed at Alios direction with the appropriate Regulatory Authority or, at Alios' discretion, made available to Alios for filing by Alios. Vertex shall also promptly deliver to Alios all relevant data and information, and shall cooperate with Alios in notifying the FDA, clinical investigators, and other Third Parties involved in the Development of such Licensed Compounds and Licensed Products that such Development is now being carried out by Alios or an Affiliate or Third Party designated by Alios with the consent of Vertex. Vertex shall and hereby does grant to Alios, effective upon the date of termination, a right of reference to any and all filings with Regulatory Authorities controlled by Vertex with respect to Licensed Compounds and Licensed Products. Within [***] of the effective date of any such termination, Vertex shall transfer to Alios (or its nominee), to the extent not previously provided, a copy of all data (including all raw data, data and database structures, and all reports containing, summarizing, or analyzing such data); information, documents, reports, and studies in its possession or control relating to any Licensed Compounds and Licensed Products then being Commercialized or in Clinical Trials sponsored by Vertex and reasonably necessary or useful for continued Development and/or Commercialization of a Licensed Compound or Licensed Product, including all information contained in Vertex's regulatory and/or safety databases, all in the format then currently maintained by Vertex. Notwithstanding **ARTICLE 10 (Confidentiality)**, Alios shall be permitted to disclose any such data and information as is necessary and appropriate to exercise its rights of Development and Commercialization (including usual and customary publication activities);

(b) Alios shall be solely responsible for obtaining an approved (by Regulatory Authorities, as required), alternate source of supply for Licensed Products as soon as reasonable practicable, *provided* that, with respect to each Licensed Product that is under Development or Commercialization at the date of delivery by Vertex of notice of termination under **Section 13.2 (Termination at Will [***])** or by Alios of notice of termination under **Section 13.3 (Termination for Cause)**, **Section 13.4 (Termination for Insolvency)**, [***], or [***], (the "**Termination Notice Date**"), and for a period ending at the earlier of [***] following the Termination Notice Date or the date upon which Alios has established an approved source of supply, Vertex shall supply Alios with all of Alios' requirements for commercial supplies for Licensed Products [***], under which each Licensed Product shall be supplied for commercial use in the Territory at Vertex's fully burdened cost (including cost of variances) of Manufacturing the Licensed Product plus a [***], to the then current specifications, and in accordance with Vertex's then-existing quality and compliance standards; and

(c) For a period of time to be agreed upon by the Parties [***], Vertex shall assist Alios as reasonably requested in [***]. Notwithstanding the above, if Vertex has terminated this Agreement prior to the completion of a Phase 2b Clinical Trial, then the transfer activities regarding Manufacture and testing of such Licensed Product shall be limited to the transfer of documents and shipment of Licensed Product, including reference materials and stability samples, at no cost to Alios.

13.9.3 Post Termination Technology Transfer. If Vertex terminates this Agreement under **Section 13.3 (Termination for Cause)**, **Section 13.4 (Termination for Insolvency)** [***], then Alios shall reasonably cooperate with Vertex in order to enable Vertex to

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promptly assume the Development and/or Commercialization of all Licensed Compounds and Licensed Products then being Commercialized or in Development in the Territory. Such cooperation and assistance shall be provided in a timely manner (having regard to the nature of the cooperation or assistance requested) and shall include the following at no cost to Vertex:

(a) All INDs concerning Licensed Products shall be assigned or otherwise transferred to Vertex as soon as practicable and [***], and any reports required to be made to any Regulatory Authority covering any periods prior to the effective date of termination of this Agreement shall be prepared promptly and filed at Vertex's direction with the appropriate Regulatory Authority or, at Vertex's discretion, made available to Vertex for filing by

Vertex. Alios shall also promptly deliver to Vertex all relevant data and information, and shall cooperate with Vertex in notifying the FDA, clinical investigators, and other Third Parties involved in the Development of such Licensed Compounds and Licensed Products that such Development is now being carried out by Vertex or an Affiliate or Third Party designated by Vertex with the consent of Alios. Alios shall and hereby does grant to Vertex, effective upon the date of termination, a right of reference to any and all filings with Regulatory Authorities controlled by Alios with respect to Licensed Compounds and Licensed Products. Within [***] of the effective date of any such termination, Alios shall transfer to Vertex (or its nominee), to the extent not previously provided, a copy of all data (including all raw data, data and database structures, and all reports containing, summarizing, or analyzing such data), information, documents, reports, and studies in its possession or control relating to any Licensed Compounds and Licensed Products then being Commercialized or in Clinical Trials sponsored by Alios and reasonably necessary or useful for continued Development and/or Commercialization of a Licensed Compound or Licensed Product, including all information contained in Alios' regulatory and/or safety databases, all in the format then currently maintained by Alios. Notwithstanding **ARTICLE 10 (Confidentiality)**, Vertex shall be permitted to disclose any such data and information as is necessary and appropriate to exercise its rights of Development and Commercialization (including usual and customary publication activities);

(b) Alios shall assist Vertex as reasonably requested in (i) causing the assignment to Vertex of any and all applicable Third Party Manufacturing and supply agreements for such Licensed Product to the extent possible and providing any existing supplies of Licensed Product at Alios' fully burdened cost (including cost of variances) of Manufacturing the Licensed Product [***], and/or (ii) transferring the Manufacturing process for such Licensed Product to Vertex or a Third Party contract manufacturer engaged by Vertex, which transfer shall be limited to the transfer of documents and shipment of Licensed Product, including reference materials and stability samples at no cost to Vertex.

13.10 Accrued Rights. Termination or expiration of this Agreement for any reason shall be without prejudice to any right that shall have accrued to the benefit of either Party prior to such termination or expiration, including damages arising from any breach under this Agreement. Such termination or expiration shall not relieve either Party from obligations that are expressly indicated to survive termination or expiration of this Agreement.

13.11 Survival. The following articles and sections of this Agreement shall survive expiration of this Agreement pursuant to **Section 13.1.1 (Expiration)** or termination of this Agreement for any reason: **ARTICLES 1 (Definitions); 7 (Financial Terms)** to the extent that

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payments due thereunder remain unpaid, including any payments due by Vertex after termination of this Agreement by Vertex pursuant to **Section 13.3 (Termination for Cause)** or **Section 13.4 (Termination for Insolvency); 10 (Confidentiality); 11 (Representations, Warranties and Covenants); 12 (Indemnification, Insurance, Limitation of Liability); 14 (Governing Law and Dispute Resolution); and 15 (General Provisions); and Sections 8.1.4 (No Other Rights and Retained Rights); 9.1 (Ownership of Intellectual Property); 9.2 (Prosecution and Maintenance of Patent Rights; Abandonment); 9.3 (Prosecution and Maintenance of Joint Patents; Abandonment); 9.9 (Approval Applications and Regulatory Approvals); 13.8 (Rights on Termination); 13.9 (Licensed Product and Compound Reversion and Commercial Development by Alios); 13.10 (Accrued Rights); and 13.11 (Survival).**

ARTICLE 14 GOVERNING LAW AND DISPUTE RESOLUTION

14.1 Governing Law. This Agreement shall be governed by and construed under the laws of the State of New York, without giving effect to the conflicts of law principles thereof that would result in the application of the laws of any other jurisdiction.

14.2 Referral to Responsible Executives. If for any reason the JSC cannot resolve any matter properly referred to it for resolution, either Party may refer the matter to the Responsible Executives (as defined below) for resolution. If, after discussing the matter in good faith and attempting to find a mutually satisfactory resolution to the issue, the Responsible Executives fail to come to consensus [***] after the date on which the matter is referred to the Responsible Executives (unless a longer period is agreed to in writing by the Parties), Vertex shall have final decision-making authority over such matter.

14.3 Dispute Resolution.

14.3.1 The Parties shall negotiate in good faith and use reasonable efforts to settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof. If the Parties are unable to resolve a dispute (other than matters within the jurisdiction of the JSC, which shall be resolved pursuant to **ARTICLE 2 (Overview and Management of the Collaboration)** and **Section 14.2 (Referral to Responsible Executives)**), or if a Party reasonably challenges an assertion of breach by the other Party or an assertion by the other Party that a particular breach has not been cured under **Section 13.3.2 (Disagreement as to Material Breach, Tolling of Cure Period)**, either Vertex or Alios, by written notice to the other, may have such dispute referred to their respective executive officers designated for attempted resolution by good faith negotiations (each, a "**Responsible Executive**").

For Vertex:

Chief Scientific Officer or such other member of Vertex's executive team as is designated by Vertex

For Alios:

Chief Executive Officer of Alios

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Any such dispute shall be submitted to the Responsible Executives, or their designees, [***] following such request by either the JSC or Vertex or Alios. In the event the Responsible Executives are not able to resolve any such dispute [***] after submission of the dispute to such Responsible Executives, (i) either Party may submit such dispute to binding Arbitration under **Section 14.3.2 (Arbitration)** or (ii) if both Parties consent with respect to such dispute, to binding Arbitration under **Section 14.3.3 (Accelerated Arbitration)**. All negotiations pursuant to this **Section 14.3 (Dispute Resolution)** shall be treated as compromise and settlement negotiations. Nothing said or disclosed, nor any document produced, in the course of such negotiations which is not otherwise

independently discoverable shall be offered or received as evidence or used for impeachment or for any other purpose in any current or future mediation, arbitration, or litigation.

14.3.2 Arbitration.

(a) Any dispute, controversy or claim not resolved by the Responsible Executives under this **Section 14.3 (Dispute Resolution)** and not mutually chosen by the Parties for accelerated arbitration under **Section 14.3.3 (Accelerated Arbitration)** and arising from or related in any way to this Agreement (other than matters within the jurisdiction of the JSC, which shall be resolved pursuant to **ARTICLE 2 (Overview and Management of the Collaboration)** and **Section 14.2 (Referral to Responsible Executives)**) or the interpretation, application, breach, termination or validity of any term or provision of this Agreement, including any claim of inducement of this Agreement by fraud or otherwise will be submitted for resolution to binding arbitration pursuant to the rules then pertaining of the CPR Institute for Dispute Resolution (“CPR”), or successor, except where those rules conflict with these provisions, in which case these provisions control. The arbitration if initiated by Vertex will be held in San Francisco, California, United States of America and if initiated by Alios will be held in Boston, Massachusetts, United States of America.

(b) The arbitration panel shall consist of [***] chosen from the CPR Panels of Distinguished Neutrals (or, by agreement, from another provider of arbitrators). Unless otherwise agreed by the Parties, each of the arbitrators will be (i) a lawyer [***], and the Parties will select arbitrators with substantial experience in or with the pharmaceutical and/or biotechnology industries. In the event the aggregate damages sought by the claimant Party are stated to be [***], and the aggregate damages sought by the counterclaimant Party are stated to be [***], and neither side seeks equitable relief, then a [***] shall be chosen, having the same qualifications and experience specified above. Each arbitrator shall be neutral, independent, disinterested, impartial and shall abide by The CPR-Georgetown Commission Proposed Model Rule for the Lawyer as Neutral available at <http://www.cpradr.org/Resources/ALLCPRArticles/tabid/265/ArticleType/ArticleView/ArticleID/622/Default.aspx>.

(c) The Parties agree to cooperate (i) to attempt to select the arbitrator(s) by agreement [***] of initiation of the arbitration, including jointly interviewing the final candidates, (ii) to meet with the arbitrators [***] of selection, and (iii) to agree at that meeting or before upon procedures for discovery and as to the conduct of the hearing which will result in the hearing being concluded within no more than [***] after selection of the arbitrators and in the award being rendered [***] of the conclusion of the hearings, or of any post-hearing briefing, which briefing will be completed by both sides [***] after the conclusion of the hearings.

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(d) In the event the Parties cannot agree upon selection of any arbitrators, the CPR will select arbitrators as follows: CPR shall provide the Parties with a list of no less than [***] proposed arbitrators [***] is to be selected) having the credentials referenced above. Within [***] of receiving such list, the Parties shall rank at least [***] of the proposed arbitrators on the initial CPR list, after exercising cause challenges. The Parties may then interview the [***] candidates ([***] if a [***] is to be selected) with the highest combined rankings for no more than one [***] and, following the interviews, may exercise [***] each. The panel will consist of the remaining [***] (or [***] is to be selected) with the highest combined rankings. In the event these procedures fail to result in selection of the required number of arbitrators, CPR shall select the appropriate number of arbitrators from among the members of the various CPR Panels of Distinguished Neutrals, allowing each side unlimited [***] peremptory challenges each.

(e) In the event the Parties cannot agree upon procedures for discovery and conduct of the hearing meeting the schedule set forth in **Section 14.3.2(c)**, then the arbitrators shall set dates for the hearing, any post-hearing briefing, and the issuance of the award in accord with the schedule set forth in **Section 14.3.2(c)**. The arbitrators shall provide for discovery according to those time limits, giving recognition to the understanding of the Parties that they contemplate reasonable discovery, including document demands and depositions, but such discovery will be limited so that the **Section 14.3.2(c)** schedule may be met without difficulty. In no event will the arbitrators, absent agreement of the Parties, allow more than a total of [***] for the hearing or permit either side to obtain more than a total of [***] of deposition testimony from all witnesses, including both fact and expert witnesses, or serve more than [***] individual requests for documents, including subparts, or [***] individual requests for admission or interrogatories, including subparts. Multiple hearing days will be scheduled consecutively to the greatest extent possible.

(f) The arbitrators must render their award by application of the substantive law of the State of New York, except regarding any patent disputes or other such issues where state law is preempted by federal law, in which event United States federal law shall apply, and are not free to apply “amiable compositeur” or “natural justice and equity.” The arbitrators shall render a written opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made by the arbitration panel and shall, upon request, be made available to either Party. The arbitrators shall have power to exclude evidence on grounds of hearsay, prejudice beyond its probative value, redundancy, or irrelevance and no award shall be overturned by reason of such ruling on evidence. To the extent possible, the arbitration hearings and award will be maintained in confidence.

(g) In the event the panel’s award exceeds [***] in monetary damages or includes or consists of equitable relief, or rejects a claim in excess of that amount or for that relief, then the losing Party may obtain review of the arbitrators’ award or decision by a single appellate arbitrator (the “**Appeal Arbitrator**”) selected from the CPR Panels of Distinguished Neutrals by agreement or, failing agreement within [***], pursuant to the selection procedures specified in **Section 14.3.2(d)**. If CPR cannot provide such services, the Parties will together select another provider of arbitration services that can provide such services. No Appeal Arbitrator shall be selected unless such Appeal Arbitrator can commit to rendering a decision [***] following oral

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argument as provided in **Section 14.3.2(h)**. Any such review must be initiated [***] following the rendering of the award referenced in **Section 14.3.2(f)**.

(h) The Appeal Arbitrator will make the same review of the arbitration panel's ruling and its basis that the United States Court of Appeals in which the arbitration hearings are held would make of findings of fact and conclusions of law rendered by a district court after a bench trial and then modify, vacate or affirm the arbitration panel's award or decision accordingly, or remand to the panel for further proceedings. The Appeal Arbitrator will consider only the arbitration panel's findings of fact and conclusions of law, pertinent portions of the hearing transcript and evidentiary record as submitted by the Parties, opening and reply briefs of the Party pursuing the review, and the answering brief of the opposing Party, plus a total of no more than [***] of oral argument evenly divided between the Parties. The Party seeking review must submit its opening brief and any reply brief within [***] and [***], respectively, following the date of the award under review, whereas the opposing Party must submit its responsive brief within [***] of such date. Oral argument shall take place within [***] after the date of the award under review, and the Appeal Arbitrator shall render a decision [***] following oral argument.

14.3.3 Accelerated Arbitration

(a) Any dispute, controversy or claim not resolved by the Responsible Executives under this **Section 14.3 (Dispute Resolution)** that the Parties mutually agree to settle under this **Section 14.3.3 (Accelerated Arbitration)** will be submitted for resolution to binding accelerated arbitration in accordance with the International Institute for CPR Global Rules for Accelerated Commercial Arbitration (the "**Accelerated Rules**"), in effect on the date the arbitration is commenced. The accelerated arbitration if initiated by Vertex will be held in San Francisco, California, United States of America and initiated by Alios will be held in Boston, Massachusetts, United States of America.

(b) The arbitration panel shall consist of [***] arbitrators chosen from the CPR Panels of Distinguished Neutrals (or, by agreement, from another provider of arbitrators). Unless otherwise agreed by the Parties, each of the arbitrators will be (i) [***], and the Parties will select arbitrators with substantial experience in or with the pharmaceutical and/or biotechnology industries. In the event the aggregate damages sought by the claimant Party are stated to be [***], and the aggregate damages sought by the counterclaimant Party are stated to be [***], and neither side seeks equitable relief, then [***] shall be chosen, having the same qualifications and experience specified above.

(c) In order to ensure the expedited resolution of any disputes submitted for accelerated arbitration (i) the Parties shall select the arbitrators by agreement [***] of initiation of the arbitration, (ii) the party initiating the arbitration shall submit the statement of claim [***] after selection of the arbitrators, (iii) the respondent shall submit the statement of defense (including any counterclaims) [***] of submission of the statement of claim, (iv) the Parties and the arbitrators shall conduct the hearing within no more than [***] after selection of the arbitrators, and (v) the arbitrators shall render an award or decision in writing within seventy-five (75) days of the initiation of the accelerated arbitration.

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(d) If the Parties cannot agree as to the choice of arbitrators by the deadlines, then the CPR may select such arbitrator(s) [***] of the deadline for the Parties to select such arbitrators, subject to the requirements as to the background and training of such arbitrators set forth in **Section 14.3.3(b)**. Each Party may challenge [***] for cause, *provided* such challenge is submitted to CPR [***] of CPR's selection of such arbitrator. The CPR will then select a [***].

(e) The arbitrators shall determine the manner and scope of discovery necessary, taking into account the above timelines, to resolve the dispute, including (i) the production and exchange of documents and evidence, and (ii) disclosure of witnesses and exchange of witness statements. The arbitrators will have the discretion to deny any request for production of documents or addition of witnesses by one Party if such request or addition will delay the above timelines, unless the other Party stipulates to any such delay.

(f) The arbitrators must render their award by application of the substantive law of the State of New York, except regarding any patent disputes or other such issues where state law is preempted by federal law, in which event United States federal law shall apply, and are not free to apply "amiable compositeur" or "natural justice and equity." The arbitrators shall render a written opinion setting forth findings of fact and conclusions of law with the reasons therefor stated. A transcript of the evidence adduced at the hearing shall be made by the arbitration panel and shall, upon request, be made available to either Party. The arbitrators shall have power to exclude evidence on grounds of hearsay, prejudice beyond its probative value, redundancy, or irrelevance and no award shall be overturned by reason of such ruling on evidence. To the extent possible, the arbitration hearings and award will be maintained in confidence.

14.3.4 Jurisdiction and Initial Entry of Judgment. The Parties consent to the jurisdiction of the State or Federal District Court in which an arbitration is held under **Section 14.3.2 (Arbitration)** or **Section 14.3.3 (Accelerated Arbitration)**, for the enforcement of these provisions and the entry of judgment on any award rendered hereunder (including after review by the Appeal Arbitrator where such an appeal is pursued). Should such court for any reason lack jurisdiction, any court with jurisdiction shall act in the same fashion.

14.3.5 Decisions and Awards and Additional Entry of Judgment. All decisions or awards by the arbitrators under **Section 14.3.2 (Arbitration)** **Section 14.3.3 (Accelerated Arbitration)** (and any decision by the Appeal Arbitrator where a decision or award by the arbitrators may be appealed pursuant to **Section 14.3.2(g)**) will be final, binding, incontestable, and not subject to further review, except pursuant to the Federal Arbitration Act, and may be used as a basis for judgment thereon and may be entered in any court in any jurisdiction, or application may be made to such court for a judicial acceptance of the award and an order of enforcement, as the case may be. Subject to and to the extent permitted by Applicable Laws, including the Federal Arbitration Act, and except as permitted above pursuant to **Section 14.3.2(g)**, the Parties hereby expressly agree to waive the right to appeal from the decision of the arbitrators and the Appeal Arbitrator, there shall be no appeal to any court or other authority (government or private) from the decision of the arbitrators or Appeal Arbitrator, and the Parties shall not dispute nor question the validity of such decision or award before any regulatory or other authority in any jurisdiction where enforcement action is taken by the Party in whose favor the decision or award is rendered, except in the case of fraud.

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14.3.6 Costs and Attorney's Fees. Each Party shall bear its own costs and attorney's fees, and the Parties shall equally bear the fees, costs, and expenses of the arbitrators and Appeal Arbitrator and the arbitration, and appeal proceedings; *provided, however*, that the arbitrators may exercise discretion to award costs, including attorney's fees, to the prevailing Party where such arbitrators have held that the losing Party acted in bad faith, or committed intentional misconduct, or fraud. For the avoidance of doubt, if either Party unreasonably or intentionally delays, fails to respond or otherwise fails to act, or otherwise interferes with the dispute resolution processes set forth in this **Section 14.3 (Dispute Resolution)**, and any such delay or failure was not caused by a delay or failure of the other Party, then the arbitrators shall take such delay or failure or actions or inactions by such Party into account when determining whether such party acted in bad faith and may award such costs, including attorney's fees, on that basis, and including (a) determining that such costs shall not be granted to the prevailing Party due to such bad faith by such Party, (b) awarding such costs to the prevailing Party solely on that basis, or (c) any other action such arbitrators deem appropriate under the circumstances as to an award of such costs.

14.3.7 Trial By Jury. EACH PARTY WAIVES ITS RIGHT TO TRIAL OF ANY ISSUE BY JURY.

14.3.8 Preliminary Injunctions. Notwithstanding anything in this Agreement to the contrary, a Party may seek a temporary restraining order or a preliminary injunction from any court of competent jurisdiction in order to prevent immediate and irreparable injury, loss, or damage on a provisional basis, pending the decision of the arbitrator(s) on the ultimate merits of any dispute.

14.3.9 Patent Disputes. Notwithstanding anything this Agreement to the contrary, any and all issues regarding the scope, construction, validity and enforceability of one or more Patent Rights of a Party or Joint Patents or any other patent shall be determined in a court of competent jurisdiction under the local patent laws of the jurisdictions having issued the patent or patents in question.

14.3.10 Confidentiality. All proceedings and decisions of the arbitrator(s) shall be deemed Confidential Information of each of the Parties, and shall subject to **ARTICLE 10 (Confidentiality)**.

ARTICLE 15 GENERAL PROVISIONS

15.1 Assignment, Binding Agreement.

15.1.1 Assignment. Neither Party may assign or otherwise transfer its rights or obligations under this Agreement without the prior written consent of the other Party, such consent not to be unreasonably withheld, except that a Party may assign or otherwise transfer its rights or obligations in whole or in part without such consent (a) to an Affiliate of such Party, *provided* that no such assignment shall relieve any Party as the primary obligor hereunder, or (b) to a Third Party that merges with, consolidates with, or acquires substantially all of the assets or voting control of the assigning Party. In the case of a permitted assignee in accordance with this **Section 15.1.1**

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(Assignment), such assignee will be entitled to all of the benefits hereunder, including, for example, any covenant not to sue. Any assignment in violation of this **Section 15.1.1 (Assignment)** shall be null and void. Notwithstanding anything to the contrary in this Agreement, in the event of any assignment of this Agreement, the licenses granted herein shall not include a license of any intellectual property rights of the assignee that were not subject to this Agreement immediately prior to such assignment. [***].

15.1.2 Binding Agreement. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties.

15.2 Force Majeure. Neither Party shall lose any rights hereunder or be liable to the other Party for damages or losses on account of failure of performance by the defaulting Party if the failure is occasioned by government action (including any clinical hold), war (whether war be declared or not), insurrections, riots, terrorism, fire, explosion, flood, tornadoes, earthquake, strike, lockout, embargo, act of God, or any other similar cause beyond the control of the defaulting Party, *provided* that the Party claiming force majeure shall promptly notify the other Party in writing setting forth the nature of such force majeure, shall use its reasonable efforts to eliminate, remedy or overcome such force majeure and shall resume performance of its obligations hereunder as soon as reasonably practicable after such force majeure ceases. Except as provided in the previous sentence, if any force majeure continues due to any negligent or willful act of a Party for more than [***], such force majeure shall cease to be force majeure for the purposes of this Agreement. Notwithstanding the foregoing, a Party shall not be excused from making payments owed hereunder because of a force majeure event affecting such Party.

15.3 Further Actions. Each Party agrees to execute, acknowledge and deliver such further instruments, and to do all such other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement.

15.4 Governmental Approvals; Compliance with Law. The Parties shall make all filings with Government Authorities as shall be required by Applicable Laws in connection with this Agreement and the activities contemplated by this Agreement. In fulfilling its obligations under this Agreement each Party agrees to comply in all material respects with all Applicable Laws.

15.5 Notices. All notices required or permitted to be given under this Agreement, including all invoices provided by Alios to Vertex, shall be in writing and shall be deemed given if delivered personally or by facsimile transmission receipt verified, mailed by registered or certified mail return receipt requested, postage prepaid, or sent by express courier service, to the other Party at the following addresses, or at such other address for a Party as shall be specified by like notice, *provided* that notices of a change of address shall be effective only upon receipt thereof.

If to Alios, addressed to:

Alios BioPharma, Inc.
260 East Grand Avenue, 2nd Floor
South San Francisco, California 94080
United States of America
Attention: Lawrence Blatt, CEO

Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

With a copy, except for invoices, (which alone will not constitute notice) to:

Latham & Watkins LLP
12636 High Bluff Drive
San Diego, California 92130
United States of America
Attention: John E. Wehrli, Esq.
Telephone: (858) 523-3937
Facsimile: (858) 523-5450

If to Vertex addressed to:

Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, Massachusetts 02139
Attn: Office of Business Development
Telephone: (617) 444-6100
Facsimile: (617) 444-6632

And:

Attn: Office of the General Counsel
Facsimile: (617) 444-7117

The date of receipt of any notice given under this Agreement, including any invoice provided by Alios to Vertex, shall be deemed to be (a) the date given if delivered personally or by facsimile transmission receipt verified; (b) [***] after the date mailed if mailed by registered or certified mail return receipt requested, postage prepaid; and (c) [***] after the date sent if sent by express courier service. Notices hereunder will not be deemed sufficient if provided only between or among each Party's representatives at addresses other than as set forth above.

15.6 Waiver. No failure of either Party to exercise and no delay in exercising any right, power or remedy in connection with this Agreement (each a "**Right**") will operate as a waiver thereof, nor will any single or partial exercise of any Right preclude any other or further exercise of such Right or the exercise of any other Right.

15.7 Disclaimer of Agency. The relationship between Alios and Vertex established by this Agreement is that of independent contractors, and nothing contained herein shall be construed to (a) give either Party the power to direct or control the day-to-day activities of the other; (b) constitute either Party as the legal representative or agent of the other Party or the Parties as partners, joint venturers, co-owners or otherwise as participants in a joint or common undertaking; or (c) allow either Party to create or assume any liability or obligation of any kind, express or implied, against or in the name of or on behalf of the other Party for any purpose whatsoever, except as expressly set forth in this Agreement.

15.8 Interpretation.

15.8.1 Wherever used, the word "shall" is understood to mean "has a duty to" when used after the name of a Party or Person, and both the word "shall" and the word "will" are

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each understood to be imperative or mandatory in nature and are otherwise interchangeable with one another.

15.8.2 Wherever used, the word "may" is understood to be permissive and discretionary in nature.

15.8.3 Wherever used, the word "can" is understood to indicate a Party's or Person's ability to perform as indicated.

15.8.4 Whenever any provision of this Agreement uses the term "including" (or "includes"), such term will be deemed to mean "including without limitation" and "including, but not limited to" (or "includes without limitations" and "includes, but is not limited to") regardless of whether the words "without limitation" or "but not limited to" actually follow the term "including" (or "includes");

15.8.5 "Herein," "hereby," "hereunder," "hereof" and other equivalent words will refer to this Agreement in its entirety and not solely to the particular portion of this Agreement in which any such word is used;

15.8.6 All definitions set forth herein will be deemed applicable whether the words defined are used herein in the singular or the plural;

15.8.7 Where used herein, any pronoun or pronouns will be deemed to include both the singular and plural and to cover all genders;

15.8.8 The recitals set forth at the start of this Agreement, along with the Exhibits and Schedules to this Agreement, and the terms and conditions incorporated in such recitals and Exhibits and Schedules, are integral parts of this Agreement and all references in this Agreement shall embrace them all. If there is any conflict between the terms and conditions of this Agreement and any terms and conditions set forth in the recitals or Exhibits and Schedules, then the terms of this Agreement will control;

15.8.9 If there is any conflict between the terms and conditions of this Agreement and any terms and conditions that are set forth on any order, invoice, verbal agreement or otherwise, then the terms and conditions of this Agreement will govern;

15.8.10 This Agreement will be construed as if both Parties drafted it jointly, and will not be construed against either Party as principal drafter;

15.8.11 The Article and Section headings and references contained herein are for the purpose of convenience only and are not intended to define or limit the contents of said Articles or Sections, except that any conflict between a Section reference number and any textual reference to the Section title noted next to such reference, will be resolved in favor of the textual reference. Unless otherwise provided, all references in this Agreement to Sections, Articles, Exhibits, and Schedules are references to Sections, Articles, Exhibits, and Schedules of this Agreement; and

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15.8.12 Any reference to any federal, national, state, local or foreign statute or law will be deemed to also refer to all rules and regulations promulgated thereunder, unless the context requires otherwise.

15.9 Severability. If any term, covenant or condition of this Agreement or the application thereof to any Party or circumstance shall, to any extent, be held to be invalid or unenforceable by a court or administrative agency of competent jurisdiction, then (a) the remainder of this Agreement, and the application of such term, covenant or condition to Parties or circumstances other than those as to which it is held invalid or unenforceable, shall not be affected thereby and each term, covenant or condition of this Agreement shall be valid and be enforced to the fullest extent permitted by law; and (b) the Parties covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid or unenforceable, it being the intent of the Parties that the basic purposes of this Agreement are to be effectuated.

15.10 Entire Agreement. This Agreement, including all Schedules and Exhibits attached hereto, which are hereby incorporated herein by reference, sets forth all covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties and supersedes and terminates all prior and contemporaneous agreements and understandings between the Parties with respect to the subject matter hereof, including the Confidentiality Agreement. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, either oral or written, between the Parties other than as set forth herein. For clarity, the following agreements shall not be superseded and shall remain in full force and effect in accordance with their terms: (a) the Confidential Disclosure Agreement among Alios, Vertex, Lisa Dixon, and Joon Chung dated June 11, 2011, (b) the Confidential Disclosure Agreement among Alios, Vertex, and Mark Namchuk dated May 19, 2011, and (c) the Confidential Disclosure Agreement among Alios, Vertex, Patricia Hurter and Daniel Belmont dated May 19, 2011.

15.11 Amendment. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties unless reduced to writing and signed by the respective authorized officers of the Parties.

15.12 Counterparts; Electronic Delivery. This Agreement may be executed in one (1) or more counterparts, by original, facsimile or PDF signature, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Signatures to this Agreement transmitted by facsimile, by email in "portable document format" (".pdf"), or by any other electronic means intended to preserve the original graphic and pictorial appearance of this Agreement shall have the same effect as physical delivery of the paper document bearing original signature.

(Remainder of page intentionally left blank)

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Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

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In Witness Whereof, the Parties have executed this Agreement by their proper officers as of the Execution Date.

Alios BioPharma, Inc.

Vertex Pharmaceuticals Incorporated

By: /s/ Lawrence Blatt
Name: Lawrence Blatt
Title: CEO

By: /s/ Matthew Emmens
Name: Matthew Emmens
Title: Chairman and CEO

**Vertex Pharmaceuticals
(Switzerland) LLC**

By: /s/ Matthew Emmens
Name: Matthew Emmens
Title: Manager

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Exhibit A

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Exhibit B

[***]

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Exhibit C

Press Release

Vertex and Alios BioPharma Announce Exclusive Worldwide Licensing Agreement for Two Nucleotide Drug Candidates, Broadening Vertex's Efforts to Develop New Combinations of Medicines for Hepatitis C

-Vertex gains worldwide rights to two distinct nucleotide analogues, ALS-2200 and ALS-2158, that act on hepatitis C polymerase-

-Collaboration provides multiple opportunities to develop new "all-oral" combination regimens-

Cambridge, MA, and South San Francisco, CA, June 13, 2011 — Vertex Pharmaceuticals Incorporated (Nasdaq: VRTX) and Alios BioPharma, Inc. today announced an exclusive worldwide licensing agreement that will add two distinct nucleotide analogues to Vertex's hepatitis C portfolio. The compounds, which were discovered by Alios and are known as ALS-2200 and ALS-2158, have shown in *in vitro* studies to be potent inhibitors of the hepatitis C virus (HCV) polymerase, an enzyme essential for replication of the virus. The addition of these compounds provides Vertex with multiple opportunities to develop potential, new, all-oral combination regimens for chronic hepatitis C. Vertex expects ALS-2200 and ALS-2158 to enter clinical development later this year.

"We are excited to begin working with Vertex, as we believe that the Alios nucleotide analogues provide an important opportunity to improve patient care in hepatitis C," said Lawrence M. Blatt, Ph.D., Founder and Chief Executive Officer of Alios BioPharma. "For more than a decade, Vertex has been a leader in the development of new approaches for treating hepatitis C, and together we have the potential to create an all-oral, interferon-free, combination therapy that could improve the safety, efficacy and ease of administration for patients. We look forward to initiating clinical development later this year."

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“The recent approval of INCIVEK was a milestone in hepatitis C care, and today’s announcement underscores our long-term commitment to further improving the treatment of this disease with new combinations of medicines,” said Peter Mueller, Ph.D., Chief Scientific Officer and Executive Vice President of Global Research and Development at Vertex. “Alios has discovered anti-HCV nucleotides that have the potential to be leading agents in hepatitis C. Based on impressive *in vitro* data, we look forward to evaluating ALS-2200 and ALS-2158 together and in combination with our approved and investigational hepatitis C medicines with the goal of creating a highly potent all-oral regimen in the years ahead.”

About ALS-2200 and ALS-2158

ALS-2200 and ALS-2158, currently in preclinical development, are highly potent nucleotide analogues that appear in *in vitro* and non-clinical studies to have a high barrier to drug resistance and the potential to be dosed once-daily. Both compounds are designed to inhibit the replication of the hepatitis C virus by acting on the NS5B polymerase. Each compound has its own unique mechanism of action, which supports the potential for developing these compounds together as a dual nucleotide regimen and as part of combination therapy regimens with Vertex’s other approved and investigational medicines for chronic hepatitis C, including INCIVEK™ (telaprevir), an FDA-approved hepatitis C protease inhibitor, and VX-222, an investigational hepatitis C non-nucleoside polymerase inhibitor. Data from *in vitro* studies showed that both ALS-2200 and ALS-2158 had a synergistic effect when combined together and with INCIVEK and VX-222. Additionally, in those *in vitro* studies, both compounds showed antiviral activity across all genotypes, or forms, of the hepatitis C virus, including genotypes more prevalent outside of the U.S. Pan-genotypic compounds for hepatitis C have the potential to be used across a broad range of people with hepatitis C worldwide.

As part of this agreement, Vertex gains worldwide rights to both compounds, further enabling the company to potentially expand development and commercialization efforts in hepatitis C to areas outside North America over the coming years. The agreement also includes a research program that will focus on the discovery of additional nucleotide analogues that act on the hepatitis C polymerase. Vertex will have the option to select compounds for development emerging from the research program.

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Future Development Plans: Alios and Vertex plan to initiate clinical development of each compound in the fourth quarter of 2011, which is expected to include studies of the compounds in healthy volunteers followed by short-duration safety and viral kinetic studies in people with hepatitis C. The goal of the first clinical studies of these compounds is to generate data to enable the initiation of Phase 2 studies as early as the end of 2012. These Phase 2 studies are expected to evaluate multiple combination regimens of ALS-2200, ALS-2158, INCIVEK and VX-222. The combination studies would be designed to generate sustained viral response (SVR or viral cure) data. Additional details on the clinical development program for ALS-2200 and ALS-2158 will be provided later in 2011 upon initiation of the first clinical study.

Terms of the Transaction

As part of the agreement, Alios will receive a \$60 million up-front payment from Vertex for the worldwide rights to ALS-2200 and ALS-2158. Vertex is responsible for development costs related to ALS-2200 and ALS-2158 and will also provide research funding to Alios. In addition, Alios would be eligible to receive research and development milestone payments up to \$715 million if both compounds are approved. Vertex expects to pay approximately \$35 million in development milestones in 2011. Alios is also eligible to receive up to \$750 million in sales milestones on sales of all approved medicines under the collaboration. The agreement also includes tiered royalties on product sales.

Important Information About INCIVEK™ (telaprevir) tablets

Indication

INCIVEK™ (telaprevir) is a prescription medicine used with the medicines peginterferon alfa and ribavirin to treat chronic (lasting a long time) hepatitis C genotype 1 infection in adults with stable liver problems, who have not been treated before or who have failed previous treatment.

It is not known if INCIVEK is safe and effective in children under 18 years of age.

IMPORTANT SAFETY INFORMATION

INCIVEK should always be taken in combination with peginterferon alfa and ribavirin. Ribavirin may cause birth defects or death of an unborn baby. Therefore, you should not take INCIVEK combination treatment if you are pregnant or may become pregnant, or if you are a man with a sexual partner who is pregnant.

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INCIVEK and other medicines can affect each other and can also cause side effects that can be serious or life threatening. There are certain medicines you cannot take with INCIVEK combination treatment. Tell your healthcare provider about all the medicines you take, including prescription and non-prescription medicines, vitamins and herbal supplements.

INCIVEK can cause serious side effects including rash and anemia. The most common side effects of INCIVEK include itching, nausea, diarrhea, vomiting, anal or rectal problems, taste changes and tiredness. There are other possible side effects of INCIVEK, and side effects associated with peginterferon alfa and ribavirin also apply to INCIVEK combination treatment. Tell your healthcare provider about any side effect that bothers you or doesn't go away.

You are encouraged to report negative side effects of prescription drugs to the FDA at 1-800-FDA-1088 OR 1-800-332-1088 or www.fda.gov/medwatch. You may also report side effects to Vertex at 1-877-824-4281.

Please see full Prescribing Information for INCIVEK including the Medication Guide, available at www.INCIVEK.com.

About Hepatitis C

Hepatitis C is a serious liver disease caused by the hepatitis C virus, which is spread through direct contact with the blood of infected people and ultimately affects the liver.(1) Chronic hepatitis C can lead to serious and life-threatening liver problems, including liver damage, cirrhosis, liver failure or liver cancer. (1) Though many people with hepatitis C may not experience symptoms, others may have symptoms such as fatigue, fever, jaundice and abdominal pain.(1)

Unlike HIV and hepatitis B virus, chronic hepatitis C is curable.(2) However, approximately 60 percent of people with genotype 1 chronic hepatitis C do not achieve SVR,(3),(4),(5) or viral cure,(6) after treatment with 48 weeks of pegylated-interferon and ribavirin alone. If treatment is not successful and a person does not achieve a viral cure, they remain at an increased risk for progressive liver disease.(7),(8)

More than 170 million people worldwide are chronically infected with hepatitis C.6 In the United States, nearly 4 million people have chronic hepatitis C and 75 percent of them are unaware of their infection.(9) Hepatitis C is four times more prevalent in the United States compared to HIV.(9) Genotype 1 is the most common form of HCV in the United States, accounting for around 70 percent of cases.(13) However, different forms are more common in other parts of the world. The majority of people with hepatitis C in the United States were born between 1946 and 1964, accounting for two of every three people with chronic hepatitis C.(10) Hepatitis C is the leading cause of liver transplantations in the United States and is reported to contribute to 4,600 to 12,000 deaths annually.(11),(12) By 2029, total annual medical costs in the United States for people with hepatitis C are expected to more than double, from \$30 billion in 2009 to approximately \$85 billion.(9)

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About Vertex

Vertex creates new possibilities in medicine. Our team discovers, develops and commercializes innovative therapies so people with serious diseases can lead better lives. Vertex scientists and our collaborators are working on new medicines to cure or significantly advance the treatment of hepatitis C, cystic fibrosis, epilepsy and other life-threatening diseases.

Founded more than 20 years ago in Cambridge, MA, we now have ongoing worldwide research programs and sites in the U.S., U.K. and Canada.

For more information and to view Vertex's press releases, please visit www.vrtx.com.

About Alios BioPharma

Alios BioPharma is a biotechnology company located in South San Francisco, California, that is developing novel medicines aimed at the treatment of viral diseases. Alios has an innovative team of highly experienced scientists and clinical researchers who are developing direct acting antiviral agents against several human viral pathogens of public health importance including, Hepatotropic viruses, Respiratory viruses and other chronic, acute and emerging viral diseases. Additionally, Alios is developing molecular activators of an interferon induced, broad spectrum antiviral innate immune pathway called RNase-L. The overall goal for the Alios therapeutic platform is to maximize patient benefits in areas of high unmet medical need through optimization of potency, safety and tolerability.

INCIVEK™ is a trademark of Vertex Pharmaceuticals Incorporated.

Special Note Regarding Forward-Looking Statements

This press release contains forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995, including statements regarding (i) Vertex broadening its efforts to develop new combinations of medicines for hepatitis C; (ii) multiple opportunities to develop new "all-oral" combination regimens; (iii) the expectation that clinical development of ALS-2200 and ALS-2158 will begin in 2011; (iv) the potential to create an all-oral, interferon-free, combination therapy that could improve the safety, efficacy and ease of administration for patients; (v) Vertex's long-term commitment to further improving the treatment of Hep C with new combinations of medicines; (vi) the anti-HCV nucleotides having the potential to be leading agents in hepatitis C; (vii) the goal of creating a highly potent all-oral regimen in the years ahead; (viii) the potential for development of these compounds together as a dual nucleotide regimen and as part of combination therapy regimens with INCIVEK (telaprevir) and VX-222; (ix) the potential to expand development and commercialization efforts in hepatitis C to areas outside North America over the coming years; (x) Alios' future research program and Vertex's option to select compounds that may emerge from the research program; (xi) all of the statements under the caption "Future Development Plans;" (xii) Vertex's responsibility for development and research funding; and (xiii) potential development and commercialization milestones and royalty payments. While the Company believes the forward-looking statements contained in this press release are accurate, there are a number of factors that could cause actual events or results to differ materially from those indicated by such forward-looking statements.

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Those risks and uncertainties include, among other things, that the outcomes for our planned clinical trials and studies may not be favorable, that there may be varying interpretations of data produced by one or more of our clinical trials, that the Company may not obtain the benefits it expects to obtain from this transaction for a variety of reasons including the possibilities that the Company may not be able to successfully develop combination therapies involving INCIVEK and/or VX-222 and the drug candidates that the Company is acquiring in this transaction; and that *in vitro* data regarding ALS-2200 and ALS-2158 may not be predictive of results that may be obtained from clinical trials, and the other risks listed under Risk Factors in Vertex's annual report and quarterly reports filed with the Securities and Exchange Commission and available through the Company's website at www.vrtx.com. The Company disclaims any obligation to update the information contained in this press release as new information becomes available.

(VRTX - GEN)

(1) Centers for Disease Control and Prevention. Hepatitis C Fact Sheet: CDC Viral Hepatitis. Available at: <http://www.cdc.gov/hepatitis/HCV/PDFs/HepCGeneralFactSheet.pdf>. Accessed March 21, 2011.

(2) Pearlman BL and Traub N. Sustained Virologic Response to Antiviral Therapy for Chronic Hepatitis C Virus Infection: A Cure and So Much More. *Clin Infect Dis*. 2011 Apr;52(7):889-900.

(3) Manns MP, McHutchison JG, Gordon SC, et al. Peginterferon alfa-2b plus ribavirin compared with interferon alfa-2b plus ribavirin for initial treatment of chronic hepatitis C: a randomised trial. *Lancet*. 2001;358:958-965.

(4) Fried MW, Shiffman ML, Reddy KR, et al. Peginterferon alfa-2a plus ribavirin for chronic hepatitis C virus infection. *N Engl J Med*. 2002;347:975-982.

(5) McHutchison JG, Lawitz EJ, Shiffman ML, et al; IDEAL Study Team. Peginterferon alfa-2b or alfa-2a with ribavirin for treatment of hepatitis C infection. *N Engl J Med*. 2009;361:580-593.

(6) Ghany MG, Strader DB, Thomas DL, Seeff, LB. Diagnosis, management and treatment of hepatitis C; An update. *Hepatology*. 2009;49 (4):1-40.

(7) Morgan TR, Ghany MG, Kim HY, Snow KK, Lindsay K, Lok AS. Outcome of sustained virological responders and non-responders in the Hepatitis C Antiviral Long-Term Treatment Against Cirrhosis (HALT-C) trial. *Hepatology*. 2008;50(Suppl 4):357A (Abstract 115).

(8) Veldt BJ, Heathcote J, Wedmeyer H. Sustained virologic response and clinical outcomes in patients with chronic hepatitis C and advanced fibrosis. *Annals of Internal Medicine*. 2007; 147: 677-684.

(9) Institute of Medicine of the National Academies. Hepatitis and liver cancer: a national strategy for prevention and control of hepatitis B and C. Colvin HM and Mitchell AE, ed. Available at: <http://www.iom.edu/Reports/2010/Hepatitis-and-Liver-Cancer-A-National-Strategy-for-Prevention-and-Control-of-Hepatitis-B-and-C.aspx>. Updated January 11, 2010. Accessed March 21, 2011.

(10) Pyenson B, Fitch K, Iwasaki K. Consequences of hepatitis C virus (HCV): Costs of a baby boomer epidemic of liver disease. Available at: http://www.natap.org/2009/HCV/051809_01.htm. Updated May 2009. Accessed March 21, 2011. This report was commissioned by Vertex Pharmaceuticals, Inc.

(11) Volk MI, Tocco R, Saini S, Lok, ASF. Public health impact of antiviral therapy for hepatitis C in the United States. *Hepatology*. 2009;50(6):1750-1755.

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(12) Davis GL, Alter MJ, El-Serag H, Poynard T, Jennings LW. Aging of hepatitis C virus (HCV)-infected persons in the United States: A multiple cohort model of HCV prevalence and disease progression. *Gastroenterology*. 2010;138:513-521.

(13) Blatt LM, Mutchnick MG, Tong MJ, et al. Assessment of hepatitis C virus RNA and genotype from 6807 patients with chronic hepatitis in the United States. *J Viral Hepat*. 2000; 7:196-202.

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Lora Pike, 617-444-6755

Matthew Osborne, 617-444-6057

or

Media:

Zachry Barber

617-444-6992 or mediainfo@vrtx.com

Alios Contact:

John Donovan, Chief Business Officer

650-635-5504 or jdonovan@aliosbiopharma.com

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Schedule 1.7

Alios Patent Rights

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Schedule 1.8

ALS-2158

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Schedule 1.9

ALS-2200

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Confidential Treatment Requested
Confidential portions of this document have been redacted and have been separately filed with the Commission

RESEARCH, DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

between

Vertex Pharmaceuticals Incorporated

and

Cystic Fibrosis Foundation Therapeutics Incorporated

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Research, Development and Commercialization Agreement

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RESEARCH, DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

Agreement made this 24th day of May, 2004, (the “Agreement”), between Vertex Pharmaceuticals Incorporated (“Vertex”), a Massachusetts corporation with principal offices at 130 Waverly Street, Cambridge, MA 02139-4242, and Cystic Fibrosis Foundation Therapeutics Incorporated, a Delaware corporation with principal offices at 6931 Arlington Road, Bethesda, Maryland 20814 (“CFFT”).

This Agreement is a modification and continuation of a relationship originally set forth in an earlier Cystic Fibrosis Research Alliance and Commercialization Agreement dated as of May 19, 2000 (the “Original Agreement”), between the Cystic Fibrosis Foundation, which is an Affiliate of CFFT, and Aurora Biosciences Corporation, which was acquired by Vertex in 2001. Except as specifically provided herein, this Agreement supercedes in its entirety the Original Agreement which shall be of no further force and effect.

WHEREAS, Vertex has expertise in the discovery and development of small molecule compounds addressing a variety of diseases for which there are limited treatment options, including extensive expertise in the study of disease mechanisms and the design of novel chemical compounds which modulate biological targets with therapeutic effect; and

WHEREAS, Vertex has developed significant scientific expertise and capacity in the area of CFTR protein modulation; and

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WHEREAS, CFFT is significantly focused on the discovery and development of methods of treatment for cystic fibrosis, to which CFFT and its Affiliates bring significant scientific and human resources and financial support; and

WHEREAS, CFFT wishes to continue support for, and expand, the CFTR project underway at Vertex.

NOW, THEREFORE, in consideration of the mutual covenants set forth in this Agreement, and other good and valuable consideration, the parties agree as follows:

ARTICLE I - DEFINITIONS

For purposes of this Agreement, the terms defined in this Article 1 shall have the following meanings whether used in their singular or plural forms. Use of the singular shall include the plural and vice versa, unless the context requires otherwise:

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1.1 “Affiliate” shall mean, with respect to any Person, any other Person who directly or indirectly, by itself or through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with, such Person. The term “control” means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Control will be presumed if one Person owns, either of record or beneficially, more than 50% of the voting stock of any other Person. For the avoidance of any doubt, the Cystic Fibrosis Foundation and CFFT are considered to be Affiliates.

1.2 “Agreement” means this agreement, together with all appendices, exhibits and schedules hereto, and as the same may be amended or supplemented from time to time hereafter by a written agreement duly executed by authorized representatives of each party hereto.

1.3 “Back-up Compound” shall mean, with reference to any particular Development Candidate or Drug Product Candidate, a Compound which (a) has the same principal mode of action (i.e., Potentiator or Corrector) as that Development Candidate or Drug Product Candidate; and (b) was among the group of Compounds, identified by VERTEX as potential additional lead molecules having the same principal mode of action, from which the Development Candidate was selected.

1.4 “Bulk Drug Substance” shall mean a Drug Product Candidate in bulk crystal, powder or other form suitable for incorporation in a Drug Product.

1.5 “CF” means the disease known as Cystic Fibrosis.

1.6 “CF Field” means the treatment of humans diagnosed with CF.

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1.7 “CFTR” shall mean a CF transmembrane conductance regulator protein which has the biological effect of transporting molecules across human cellular membranes.

1.8 “Compound” shall mean a chemical compound, including salts and prodrugs thereof, which is synthesized and/or tested by or under the direction of VERTEX or its Affiliates during the term of the Research Program under this Agreement, or which was synthesized and/or tested by and/or under the direction of Aurora or its Affiliates under the Original Agreement; which is either a Potentiator or a Corrector, or both; and which [***]

1.9 “Controlled” (except in the context of Section 1.1) shall mean the legal authority or right of a party hereto to grant a license or sublicense of intellectual property rights to another party hereto, or to otherwise disclose proprietary or trade secret information to such other party, without breaching the terms of any agreement with a Third Party, infringing upon the intellectual property rights of a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

1.10 “Corrector” shall mean a Compound which, as its principal mode of therapeutic action, modulates the biological effect of CFTR by increasing [***]

1.11 “Development Candidate” shall mean a Compound that meets the Development Candidate Criteria for the initiation of a Development Program for the treatment of CF, and which is the subject of a notice from Vertex to CFFT that Vertex intends to commence formal pre-clinical development of the Compound in the Field pursuant to the provisions of Section 3.1 hereof.

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1.12 “Development Candidate Criteria” shall mean the criteria set forth in Schedule 1.14 hereto which shall be applicable to any Compound selected by Vertex as a Development Candidate hereunder.

1.13 “Development Candidate Information” will mean a full summary of all material information known to VERTEX about a Development Candidate, which CFFT reasonably needs in order to assess the potential of that Development Candidate as a treatment for CF and to pursue CFFT’s Special Rights under Sections 10.5 and 10.6, if they are applicable. Development Candidate Information will also include comparable information known to VERTEX concerning Compounds which are Back-up Compounds, as defined herein, to the Development Candidate which is the subject of the Development Candidate Information.

1.14 “Development Candidate Milestone” shall have the meaning ascribed to it in Section 4.4 hereof.

1.15 “Development Plan” shall have the meaning ascribed to it in Section 3.2.2 hereof.

1.16 “Development Program” shall mean activities associated with development of a Drug Product Candidate which are conducted by or at the direction of Vertex, its Affiliates, licensees or sublicensees, including but not limited to (a) manufacture and formulation of Drug Product Candidates for use in pre-clinical, non-clinical and clinical studies; (b) pre-clinical and non-clinical animal studies; (c) planning, implementation, evaluation and administration of human clinical trials; (d) manufacturing process development, scale-up and manufacture/analysis/QC/QA of Drug Product for clinical trials; (e) preparation and submission of applications for Regulatory Approval; and (f) post-market surveillance of approved drug

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indications, as required or agreed as part of a marketing approval by any governmental regulatory authority.

1.17 “Drug Product” shall mean a finished dosage form which is prepared from Bulk Drug Substance and is ready for administration to the ultimate consumer as a pharmaceutical.

1.18 “Drug Product Candidate” shall mean any Development Candidate for which a Development Program has commenced under Section 3.1 hereunder.

1.19 “Effective Date” shall mean April 1, 2004.

1.20 “Field” shall mean the treatment of conditions or diseases in the CF Field and the Pulmonary Field.

1.21 “First Commercial Sale” shall mean the first sale of a Drug Product by Vertex or an Affiliate, licensee or sublicensee of Vertex in a country in the Territory following Regulatory Approval of the Drug Product in that country or, if no such Regulatory Approval or similar marketing approval is required, the date upon which the Drug Product is first commercially launched in that country.

1.22 “FTE” shall mean the equivalent of the work of one Vertex scientist or other project managerial professional, full time for one year, on or directly related to the Research Program. Work in the Research Program can include, but is not limited to the following activities that relate solely to the Research Program: (i) experimental laboratory work, (ii) project and research management, (iii) intellectual property creation, (iv) management activities directed toward evaluation of the commercial potential of a possible Drug Candidate, (v) recording and writing up results, (vi) reviewing literature and references, (vii) holding scientific

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discussions, (viii) traveling to and attending appropriate seminars and symposia, (ix) and carrying out Joint Research Committee duties. Activities included in calculating FTE’s shall not include negotiation of this Agreement or modifications or extensions thereof or administration activities such as accounting, invoicing, personnel related activities or the like. Moreover, activities specified in (iv) through (ix) above shall be taken into account only when performed by individuals substantially all of the activities of whom are otherwise dedicated to the Research Program. FTE’s shall include equivalent scientific work in the Research Program delegated to and carried out by contractors, under the general direction of Vertex scientists; provided, that not more than half of the total Research Program FTEs shall be delegated to Third Parties. FTE’s which result from work delegated to and carried out by contractors, if not separately accounted for by the contractor, will be computed by dividing the total amount of the contractor’s invoice by [***], and the resulting FTE calculation will be separately identified by Vertex on its reports provided to CFFT under Section 4.3 hereof.

1.23 “Joint Research Committee” or “JRC” shall have the meaning ascribed to it in Section 2.6 of Agreement.

1.24 “Joint Steering Committee” or “JSC” shall have the meaning ascribed to it in Section 2.7 of Agreement.

1.25 “Net Sales” with respect to any Drug Product shall mean the gross amount invoiced by Vertex and any Vertex Affiliate, licensee or sublicensee for that Drug Product sold in bona fide, arms-length transactions to Third Parties for use in the Field, less (i) quantity and/or cash discounts from the gross invoice price which are actually allowed or taken; (ii) freight, postage and insurance included in the invoice price; (iii) amounts repaid or credited by reasons

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of rejections or return of goods or because of retroactive price reductions specifically identifiable to the Drug Product; (iv) amounts payable resulting from government (or agency thereof) mandated rebate programs; (v) third-party rebates to the extent actually allowed; (vi) invoiced customs duties and sales taxes (excluding income, value-added and similar taxes), if any, actually paid and directly related to the sale that are not reimbursed by the buyer; and (vii) any other specifically identifiable amounts included in the Drug Product's gross invoice price that should be credited for reasons substantially equivalent to those listed above; all as determined in accordance with Vertex's usual and customary accounting methods, which are in accordance with generally accepted accounting principles.

1.25.1 In the case of any sale or other disposal of a Drug Product between or among Vertex and its Affiliates, licensees and sublicensees, for resale, Net Sales shall be calculated as above only on the value charged or invoiced on the first arm's-length sale thereafter to a Third Party;

1.25.2 In the case of any sale which is not invoiced or is delivered before invoice, Net Sales shall be calculated at the time of shipment or when the Drug Product is paid for, if paid for before shipment or invoice;

1.25.3 In the case of any sale or other disposal for value, such as barter or counter-trade, of any Drug Product, or part thereof, other than in an arm's length transaction exclusively for money, Net Sales shall be calculated as above on the value of the consideration received or the fair market price (if higher) of the Drug Product in the country of sale or disposal;

1.25.4 In the event the Drug Product is sold in a finished dosage form containing the Drug Product in combination with one or more other active ingredients (a "Combination

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Product"), the Net Sales of the Drug Product, for the purposes of determining royalty payments, shall be determined by [***] The principles of this section shall also apply to a Combination Product in the event Sections 10.5.5, 10.5.6 and 10.6.2 are applicable.

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1.26 "Patents" means all existing patents and patent applications and all patent applications hereafter filed, including any continuation, continuation-in-part, division, provisional or any substitute applications, any patent issued with respect to any such patent applications, any reissue, reexamination, renewal or extension (including any supplementary protection certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.

1.27 "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.28 "Positive Control" shall mean with respect to a Corrector, the Compound known as [***], and with respect to a Potentiator, the Compound known as [***], except as otherwise agreed by the Parties.

1.29 "Potentiator" shall mean a Compound which, as its principal mode of therapeutic action, modulates the biological effect of CFTR by enhancing the gating activity of ΔF508 CFTR present in the apical cell membrane.

1.30 "Prime Rate" shall mean the average prime rate published in the *Wall Street Journal* during the relevant period.

1.31 This section has been intentionally left blank.

1.32 "Pulmonary Field" shall mean the treatment of diseases of the human pulmonary tract or lungs, other than CF.

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1.33 "Regulatory Approval" shall mean, with respect to any country, all authorizations by the appropriate governmental entity or entities necessary for commercial sale of a Drug Product in that country including, without limitation and where applicable, approval of labeling, price, reimbursement and manufacturing. "Regulatory Approval" in the United States shall mean final approval of a new drug application pursuant to 21 CFR §

314, permitting marketing of the applicable Drug Product in interstate commerce in the United States. "Regulatory Approval" in the European Union shall mean final approval of a Marketing Authorization Application, or equivalent.

1.34 "Research Plan" shall have the meaning set forth in Section 2.4 hereof.

1.35 "Research Program" shall mean all research activities undertaken under this Agreement associated with the identification and design of Compounds and Development Candidates as provided herein; including but not limited to the identification and initial testing of Compounds; the conduct of those activities referenced in the Development Candidate Criteria with respect to Compounds; selection of Development Candidates and the presentation of those Development Candidates and related Development Candidate Information to CFFT.

1.36 "Research Termination Date" shall mean the earlier of December 31, 2005 or the date upon which the Research Program is terminated under Article X.

1.37 "Termination Know-How Package" shall mean, for the Research Program generally or for a particular Program (Primary or Alternate) within the Research Program, as the context may require, (a) all data and study results (including formulae for calculating EC50 and efficacy) from *in vitro* and *in vivo* efficacy testing and experimentation conducted with respect to Compounds under that Program, pursuant to the applicable Research Plan or Subplan, all as

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recorded in electronic form in Vertex's electronic database known as VERDI (Vertex Research Data Interface), and including Compound structure information; (b) standard operating procedures for the following assays: [***] all as conducted with commercially available instruments and equipment, and any other assay the creation of which was substantially paid for by CFFT under the Research Program or the Original Agreement and supported by medicinal chemistry during the Research Program or the Original Agreement; and (c) any physical stocks of Compounds from the Program which are on hand on the date of Interruption, and information on chemical routes Controlled by Vertex for synthesis of additional stocks of Compounds.

1.38 "Territory" shall mean worldwide.

1.39 "Third Party" shall mean any person or entity which is not a party or an Affiliate of any party to this Agreement.

1.40 "Third Party Referral" shall mean the procedure for resolution of certain disputes hereunder which is set forth in Section 12.2(b) hereof.

1.41 "Vertex CF Technology" shall mean all data, technical information, know-how, inventions (whether or not patented) trade secrets, processes and methods discovered or developed, and Controlled by Vertex or its Affiliates, in the course of its performance of the Research Program under this Agreement, or in the course of activities undertaken by Vertex or Aurora under the Original Agreement, and related to CFTR modulation; provided, however, that the term "Vertex CF Technology" shall not apply to Vertex's general drug design technology whether in hardware or software form, tangible or intangible.

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1.42 "Vertex Patents" shall mean any Patents Controlled by Vertex or its Affiliates claiming Vertex CF Technology.

ARTICLE II— RESEARCH PROGRAM

2.1 Commencement; Objective.

Research under the Original Agreement commenced on May 19, 2000 and is being continued under this Agreement pursuant to the Research Program described below. Vertex will be principally responsible for the conduct of the Research Program and CFFT will provide financial support, consultation and advice as provided herein and through its participation on the JRC and the JSC as provided below. The Research Program will be directed toward the identification of Development Candidates which are suitable for development and commercialization as human therapeutics for the treatment of CF.

2.2 Term.

The Research Program will be deemed to have commenced on the Effective Date, and will conclude on December 31, 2005, unless extended by agreement of the parties (including any such extension, the "Research Termination Date"), or unless earlier terminated in accordance with the provisions of Article X hereof. The parties may discuss at any time whether, and upon what basis, the Research Program might be extended beyond the initial Research Termination Date, and those discussions may include proposed extensions under Section 2.9 hereof.

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2.3 Research Diligence.

The common objective of the parties is to identify Development Candidates as soon as practicable for worldwide development and marketing under the terms of this Agreement. Vertex will work diligently and use all reasonable efforts, consistent with prudent business judgment, to identify Development Candidates and to commence the development of those Development Candidates as Drug Product Candidates. Vertex will dedicate to the Research Program at least that level of staffing referenced in Section 4.1 hereof, and expects to employ an optimal combination of experience and training in the CF Field.

2.4 Research Plan.

2.4.1 General. Vertex and CFFT have agreed upon an overall research plan for the Research Program, a copy of which is attached to this Agreement as Exhibit 2.4. The JRC will review and evaluate the Research Plan, taking into consideration ongoing research outcomes and other scientific and commercial developments, at each meeting of the JRC after the Effective Date, and any resulting modifications will be incorporated into the Research Plan (the original plan, and any such modifications are referred to herein as the “Research Plan”). Modifications to the Research Plan may be proposed by either Vertex or CFFT and will be reviewed by the JRC before being adopted. Any modification to the Research Plan that would (a) reduce the levels of FTE resources to be devoted by Vertex to the Research Program below the minimum provided in Section 4.1; or (b) materially alter the overall allocation of Research Program resources between the Primary and the Alternate Program, from the allocation specified in Section 4.1 hereof or (c) materially alter the goals and/or scientific focus of the Research Plan, shall not be adopted

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without the approval of CFFT, which will act expeditiously on any such proposal made by Vertex.

2.4.2 Primary and Alternate Programs. Potentiators and Correctors are thought to operate through different CFTR modulator mechanisms. Based on research efforts conducted under the Original Agreement and during 2004, Vertex in consultation with CFFT will determine, on or before the end of 2004, whether in its judgment the development of Potentiators or Correctors represents the most promising approach to disease modification in the Field, based on scientific, regulatory, medical and business considerations. Thereafter, Vertex’s activities under the Research Program aimed at identifying Development Candidates which act through the mechanism deemed by Vertex to be the most promising — either Potentiator or Corrector — will be called the “Primary Program” of research, and research activity directed toward the other mechanism will be referred to as the “Alternate Program.”

2.4.3 Primary and Alternate Subplans. As soon as practicable after the Primary and Alternate Programs have been designated, Vertex will prepare and submit to the JRC for its review and comment research plans for the Primary Program (a “Primary Subplan”) and the Alternate Program (an “Alternate Subplan”) in each case covering the balance of the time remaining until the Research Termination Date. The Plans will be accompanied by budgets for the remaining period prior to the Research Termination Date. The budgets will each specify the aggregate amounts allocated for internal FTE’s and other costs and the aggregate amounts allocated for external FTE’s and other costs, and will be otherwise consistent with the requirements of Section 4.1 hereof. The date upon which the Primary Subplan, the Alternate

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Subplan, and the related budgets have been submitted to the JRC shall be called the “Primary Program Designation Date.”

2.5 CFFT Special Rights at Program Selection Point.

If CFFT shall disagree with Vertex’s choice in designating the Primary Program, it may refer the matter to the JSC for review under Section 2.7.1(iii) hereof, and may in any event:

2.5.1 Accept any decision of the JSC and proceed accordingly; or

2.5.2 Terminate support of the Primary and Alternative Programs upon the terms and with the consequences specified in Section 10.5 hereof;

2.6 Joint Research Committee.

2.6.1 Composition and Purposes. Vertex and CFFT have established a Joint Research Committee (“**JRC**”) consisting of at least [***] (as may be increased or decreased by the JRC), half of whom shall be designated from time to time by each party. If the JRC chooses to designate a Committee Chair, the Chair will be appointed from among the members of the Committee designated by VERTEX. The JRC shall meet formally no less frequently than once in each three (3) month period during the Research Program, and at such time and location, as may be established by the Committee, for the following purposes:

(i) To review reports prepared by Vertex, which shall be submitted to the JRC within fifteen (15) days prior to each meeting, and shall include a thorough summary in written text of progress made during

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the preceding three month period under the Research Plan (although chemical structures will only be disclosed to CFFT in the context of a publication referenced in Article VII hereof, or as part of the Termination Know-How Package provided to CFFT in connection with an Interruption) and to CFFT's chemistry advisors in accordance with the following sentence. Chemical Structures will be separately disclosed to CFFT's chemistry advisors serving on the JRC, who will agree to maintain the confidentiality of the structures, to allow them to fulfill their JRC responsibilities; provided that Vertex shall not be required to disclose structures to any advisors other than CFFT's chemistry advisors who are currently working with Vertex on CFFT's behalf, and to any other chemistry advisors approved by Vertex, which approval shall not be unreasonably withheld.

(ii) To review and discuss the Research Plan, and the Primary and the Alternate Subplans prepared by Vertex as provided in Section 2.4.3 above, and evaluate any proposed revisions to any of those Plans;

(iii) To assist Vertex in determining as soon as possible whether the Potentiator or Corrector approach should be the subject of the Primary Program; and

(iv) To review Development Candidates proposed by Vertex and to assess whether a given Development Candidate proposed by Vertex meets the Development Candidate Criteria.

Vertex shall prepare and deliver minutes of the meeting to the members of the JRC, within thirty (30) days after the date of each meeting, setting forth, *inter alia*, all decisions of the JRC, and including as an attachment the report on the progress of work performed required by Section 2.6.1(i).

2.6.2 Decision-Making.

(i) Each of Vertex and CFFT shall have one vote on the JRC. The objective of the JRC shall be to reach agreement by consensus on all matters within the scope of the Research Plan or any Subplan. However, in the event of a deadlock with respect to any action (which shall be deemed to have occurred if either party shall request a vote of the JRC on a matter and that vote shall either not be taken within thirty (30) days of the request or if taken shall result in a tie vote) and subject to the procedure set forth in subsections (ii) and (iii) below as to certain matters, the vote of Vertex, rendered after reasonable and open discussion among the members of the JRC, shall be final and controlling.

(ii) Notwithstanding the foregoing, with respect to JRC decisions

(x) as to which approach — Potentiator or Corrector — should be the subject of the Primary Program, any disagreement between the parties that cannot be resolved within thirty (30) days by the JRC shall be referred to the JSC and, failing agreement, Vertex's selection shall be controlling and CFFT shall have the alternatives set forth in Sections 10.5.1 and 10.5.3 below; and

(y) as to whether or not a given Compound proposed by Vertex as a Development Candidate actually meet the Development Candidate Criteria, any disagreement between the parties that cannot be resolved within thirty (30) days by the JRC shall be referred to the JSC for resolution and if not resolved within seven (7) business days after referral, shall be referred for resolution by the Chief Executive Officer of Vertex and the Chief Executive Officer of CFFT, and failing resolution, the matter will be referred for final decision under the provisions of Section 12.2(b) of this Agreement; and

(z) as to the nature and extent of any additional Development Candidate Criteria referenced in Section 2.6.3 hereof, if any disagreement cannot be resolved by the JRC

and the JSC as provided in (x) above, then there will be no change in the Development Candidate Criteria.

(iii) Notwithstanding the provisions of Section 2.6.2(i) hereof, if Vertex and CFFT deadlock on any matters being considered by the JRC which might have a significant impact on the time or likely success of the Research Program (other than those matters addressed in Section 2.6.2(ii) hereof), the matter shall be referred to the JSC for resolution in accordance with Section 2.7.1(iii) hereof.

(iv) Each party shall retain the rights, powers, and discretion granted to it under this Agreement, and the JRC shall not be delegated or vested with any such rights, powers or discretion except as expressly provided in this Agreement. The JRC shall not have the power to amend or modify this Agreement, which may only be amended or modified as provided in Section 12.15.

2.6.3 Additional Development Candidate Criteria. The parties acknowledge that it may be necessary or appropriate to adopt additional Development Candidate Criteria which more specifically define the pre-development characteristics of Compounds which the parties believe may be suitable for development and commercialization based upon the particular mode of action of that Compound as a Potentiator or Corrector. The parties will use good faith efforts through their respective representatives on the JRC to agree on any such additional Development Candidate Criteria as soon as practicable after a change is proposed to the JRC by

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either party. Any disagreements with respect to the selection of additional Development Candidate Criteria hereunder will be addressed as provided in Section 2.6.2(ii).

2.7 Joint Steering Committee.

2.7.1 Composition and Purposes. Vertex and CFFT have established and will continue to participate in a Joint Steering Committee (“JSC”) which shall consist of an equal number of senior management personnel as may be agreed by the parties from time to time. The JSC shall initially have six (6) members. If the JSC chooses to designate a Committee Chair, the Chair will be appointed from among the members of the JSC designated by Vertex. The JSC shall meet semi-annually, or with such other frequency, and at such time and location, as may be established by the Committee, for the following purposes:

- (i) To provide general oversight of the Research Program ;
- (ii) To periodically review the overall goals and strategy of the Research Program;
- (iii) To discuss and attempt to resolve any deadlocked issues submitted to it by the JRC, although the vote of Vertex’s representatives shall prevail if the JSC is unable to reach a consensus on any matter other than matters referred to it under Section 2.6.2(ii)(x) and 2.6.2 (ii)(z), which shall be resolved as provided therein.

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2.8 Exchange of Information.

2.8.1 Vertex will share information with the JRC, as soon as it is available, necessary to facilitate mutual understanding of the status of the Research Program and decision-making in connection therewith.

2.8.2 CFFT shall not use Vertex CF Technology (excluding information which is no longer subject to confidentiality restrictions under Article V by reason of the exceptions set forth in Section 6.2) for any purpose, including the filing of patent applications containing such information, without Vertex’s consent, except as otherwise explicitly permitted in this Agreement.

2.9 Extension of Research Termination Date.

Vertex and CFFT may extend the term of the Research Program, or the term of either the Primary Program or the Alternate Program, by mutual agreement. Any party desiring such an extension shall notify the other party in writing of that fact not less than sixty (60) days prior to the initial Research Termination Date. That notice shall include a summary of the material terms upon which the extension is proposed. The general expectation of the parties is that any such extension would be undertaken on terms substantially identical to those which appear in this Agreement, except that CFFT would bear only [***] of Vertex’s on-going research costs. Any such proposal that relates to an extension of the Research Program, generally, shall be called a “Research Extension Proposal,” and proposals that relate to extensions of the Primary Program or the Alternate Program, respectively, shall be called a “Primary Extension Proposal” or an “Alternate Extension Proposal.”

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2.10 Third Party Testing.

At CFFT’s written request (a “Testing Request”) delivered as provided below, Vertex will supply to an “Agreed Lab” reasonably adequate quantities of its “Lead Compounds” as necessary to enable the Agreed Lab to conduct *in vitro* testing of the efficacy and potency of the Lead Compounds in agreed CF assay models. All such testing will be undertaken at the expense of CFFT in addition to any funding otherwise provided hereunder.

An “Agreed Lab” is a commercial testing laboratory unaffiliated with either CFFT or Vertex and reasonably acceptable to both, which (a) specializes in rendering services to the pharmaceutical industry and has nationally recognized expertise in the testing of pharmaceutical compounds; (b) has a superior reputation for integrity in dealing with the proprietary information of others and would be free of any real or apparent conflict of interest in performing the services which are the subject of this Section 2.10; and (c) is bound by the terms of a confidentiality agreement with Vertex which is customary in form and content, which covers the testing contemplated by this Section 2.10, and which permits the Lab to report to CFFT, directly, the results which it obtains with respect to efficacy and potency of the Lead Compounds, but only those results.

A “Testing Request” is a written request relating to the testing of Lead Compounds from either or both of the Primary and the Alternate Programs, which is delivered by CFFT to Vertex during any of the following periods: (i) the ninety day period beginning on the Primary Program Designation Date; (ii) the ninety day period prior to the due date for delivery to Vertex of any Early Termination Notice under Section 10.5.2 hereof; and (iii) the sixty day period beginning

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with the delivery by either party to the other of a Research Extension Proposal as provided in Section 2.9 hereof.

“Lead Compounds” shall mean not more than two Compounds from each Program — Primary or Alternate - for which a Testing Request is delivered, none of which are a Development Candidate, which meet the following criteria: (i) the Compound(s) have been selected by Vertex from the Primary Program and/or the Alternate Program, as relevant to the Testing Request (assuming CFFT has not terminated the Alternate Program under the provisions of Section 10.5.3 hereof); (ii) each Compound will be representative of those Compounds in each Program which Vertex believes to be the most promising as potential Drug Products; and (iii) each Compound shall have been previously tested by Vertex, *in vitro*, as to potential efficacy and potency in CF, and the results of that testing shall have been provided to CFFT.

Vertex and CFFT acknowledge that commercially available assays for the testing of Lead Compounds may yield results which are less robust than the results obtained by Vertex in its own proprietary assays. The parties also acknowledge that the transfer of Vertex’s proprietary assays to an Agreed Lab may be difficult, and the results less than satisfactory, without a commitment of substantial time and effort by Vertex which, if undertaken, may adversely impact the progress of the Research Program. Therefore, the parties agree that Vertex’s responsibility for the testing provided under this Section 2.10 shall be limited as follows: (a) Vertex will cooperate with CFFT in the selection of an Agreed Lab as soon as practicable following the Effective Date, as may be requested by CFFT, and thereafter will assist in the determination whether commercially available assays conducted by the Lab are likely to provide satisfactory results; (b) Vertex will

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provide the Lab with requisite amounts of each Lead Compound, in connection with formal Testing Requests from CFFT as provided above, and up to three additional Compounds from each of the Primary or Alternate Programs, out of any supplies which Vertex may have on hand, the chemical structures of which have been published by Vertex in peer-reviewed journals or through posters or presentations at scientific conferences, which the Agreed Lab may use for control purposes; (c) Vertex will provide telephone consulting to appropriate representatives of the Agreed Lab concerning applicable assay methodology; (d) if the parties conclude that conventional testing will not yield adequate results, and upon the formal written request of CFFT rendered with due regard to [***] to establish an assay based on proprietary protocols from Vertex, Vertex will provide its proprietary assay protocol to the Agreed Lab sufficiently in advance of any testing provided for in this Section 2.10 to accommodate such testing, under provisions of confidentiality, restricted access and non-use (for other than testing hereunder), and will ensure that appropriate Vertex representatives are available by telephone from time to time to answer questions and otherwise assist the Agreed Lab representatives in their efforts to establish Vertex’s proprietary assay. Vertex shall in no event be responsible for any failure by the Agreed Lab to establish an effective assay using Vertex’s protocols, nor shall any time periods provided herein for action by CFFT be extended by reason of any such failure.

ARTICLE III- DEVELOPMENT

3.1 Commencement of Development Program.

As soon as Vertex has identified a Development Candidate which it believes meets the Development Candidate Criteria, it will so notify CFFT and the JRC and will include

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with that notice the Development Candidate Information with respect to that Development Candidate and its Back-up Compounds. Vertex will promptly commence and pursue a Development Program with respect to that Development Candidate, at its expense, applying diligent, commercially reasonable efforts to develop Drug Product Candidates into Drug Products, consistent with those used by Vertex for its own compounds of similar potential.

3.2 Joint Development Committee.

3.2.1 Formation and Responsibilities. As soon as practicable after the commencement by Vertex of a Development Program with respect to a Drug Product Candidate, VERTEX will establish a Joint Development Committee (“JDC”) which shall include a representative designated by CFFT. Additional JDC’s, which shall also include one CFFT representative, may be established from time to time in connection with the development of additional Drug Product Candidates. The JDC (or its successor organization, as designated by Vertex) will be the principal organization through which the development of a Drug Product Candidate is planned, administered, evaluated and completed, subject to appropriate review and approval at senior management levels as required by VERTEX from time to time. In addition to the CFFT member, the JDC will typically have members from the various functional groups (e.g., research, preclinical safety, clinical, regulatory, marketing) which are or will be expected to be involved in development and launch of the Drug Product Candidate. VERTEX will appoint the JDC Chair. The JDC will typically meet at least quarterly, depending on the level of current development activity, and will be responsible for preparation and implementation of the Development Plan described in Section 3.2.2 below with respect to each Drug Product Candidate.

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3.2.2 Development Plan. The JDC shall be responsible for review of the goals and strategy for development of each Drug Product Candidate and shall prepare and oversee the implementation of an overall Development Plan for each Drug Product Candidate. The Development Plan shall, among other things, detail, schedule and fully describe the proposed toxicology studies, clinical trials, regulatory plans, clinical trial and commercial material requirements, and process development and manufacturing plans for each Drug Product Candidate, along with relevant budget information for the described items, and will outline the key elements involved in obtaining Regulatory Approval in each country where the Drug Product is to be marketed.

3.2.3 Meeting Materials. The JDC will consider all information that is material to an assessment of the status, direction and progress of the Development Program, including all clinical trials protocols, data and reports. The JDC Chair will ensure that minutes are prepared and distributed to each member of the JDC promptly after each meeting. Those minutes shall contain a report on the activities of the JDC during its meeting. CFFT’s representative on the JDC will receive all documents and information distributed or communicated to members of the JDC, and may review copies of all other information material to the development of a Drug Product Candidate unless the JDC denies access to that information for demonstrable competitive reasons.

3.2.4 CFFT and its Affiliates will use good faith efforts to enlist the Therapeutic Development Network and its resources and expertise in support of the development efforts for each Drug Product Candidate, and will involve appropriate Vertex representatives in that effort.

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3.3 Development Responsibility and Costs.

Vertex will have sole responsibility for, and bear the cost of conducting, the Development Program with respect to each Drug Product Candidate.

3.4 Regulatory Approvals.

Vertex shall be solely responsible for preparing and submitting registration dossiers for Regulatory Approval of Drug Product Candidates in the Territory.

3.4.1 Vertex Ownership. All Regulatory Approvals shall be held by and in the name of Vertex, and Vertex shall own all submissions in connection therewith.

3.4.2 Principal Interface. All formulary or marketing approvals shall also be obtained by and in the name of Vertex, and Vertex will be the principal interface with and will otherwise handle all interactions with regulatory agencies concerning any Drug Product.

3.4.3 Regulatory Meetings. If requested by Vertex, CFFT will arrange for one or more representatives of CFFT to participate in meetings between representatives of Vertex and any of the FDA, the EMEA and Koseisho (MHW Japan), to the extent that Vertex reasonably believes that representatives from CFFT would further the regulatory approval process.

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ARTICLE IV — PAYMENTS

4.1 Staffing and Research Support Payments.

CFFT will make the payments to Vertex specified below during 2004 and 2005 in support of the Research Program under this Agreement.

*** [***] [***]
*** [***] [***]
*** [***] [***]

Vertex will dedicate a minimum average [***] during its term, [***] Unless otherwise agreed in writing by CFFT, from and after the earlier of the date upon which Vertex notifies CFFT of its selection of a Primary and an Alternate Program, Vertex will devote [***] to the Alternate Program, and will apply [***]. Subject to the foregoing requirements, the research support specified above can be allocated as Vertex may determine in good faith between in-house and outside resources, between the Primary Program and the Alternative Program, and between and among individual budget line items.

4.2 Budget.

The initial budget for the Research Program is attached hereto as Exhibit 4.2 (the "Initial Budget"). Any material revisions to the Initial Budget which would result in an increase

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in total funding for the Research Program, or which are specified in Section 2.4.1, will require the prior approval of CFFT. Any other adjustments to the Research Program budget may be undertaken by Vertex with prior notice to, but without prior approval from, CFFT. The Initial Budget as revised or adjusted pursuant to the foregoing and in effect at any given time, shall be called the "Current Budget." Vertex will provide CFFT with quarterly reports, within thirty (30) days after the end of each quarter, showing expenses incurred under the Research Program during the quarter just ended against budgeted expenses for that quarter.

4.3 Payments.

Payments due under the Current Budget on account of internal FTEs shall be made by CFFT [***]. Payments due under the Current Budget on account of external costs shall be made by CFFT [***]. All payments shall be made without deduction for withholding or other similar taxes, in United States dollars to the credit of such bank account as may be designated by Vertex in writing to CFFT. Any payments which fall due on a date which is a legal holiday in The Commonwealth of Massachusetts may be made on the next following day which is not a legal holiday in the Commonwealth. On or before each of March 1, 2005 and March 1, 2006, Vertex will provide CFFT with an accounting of all internal FTE costs and outsourcing costs incurred under the Research Program during the most recently concluded calendar year. Internal FTE costs will be calculated [***]. Costs incurred will be compared with funds provided by CFFT on account of that year, and [***].

4.4 Clinical Trial Commencement Milestone.

CFFT will pay to Vertex the sum of \$1.5 million (the "Development Candidate Milestone") with respect to the first Drug Product Candidate under the Research Program to

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commence human clinical trials of that Drug Product Candidate in any country with a generally accepted system of Regulatory Approvals. The first human clinical trial of a Drug Product Candidate will be deemed to have commenced when that Candidate is first dosed in a human under a clinical trial protocol which has been approved by the relevant oversight authority in the country in which the trial is being conducted. Payment with respect to a Drug Product Candidate will be made within thirty (30) days after receipt by CFFT of notice from Vertex that human clinical trials of that Drug Product Candidate have commenced.

4.5 Records.

Vertex shall keep accurate records and books of accounts containing all data reasonably required for the calculation and verification of FTE's employed, and outsourcing costs incurred, by Vertex in the Research Program. CFFT, through an independent accounting firm unaffiliated with either CFFT or Vertex, shall have the right at its expense to audit Vertex's relevant records to verify compliance with FTE and other research funding allocation requirements hereunder.

At CFFT's request, VERTEX shall make those records available, no more than once a year, during reasonable working hours, for review by a recognized independent accounting firm acceptable to both parties, at CFFT's expense, for the sole purpose of verifying the accuracy of those records in the calculation of Research Program FTEs and outsourcing costs. Vertex shall not, however, be required to retain or make available to CFFT or its accountants, any such records or books of account for either 2004 or 2005, beyond thirty-six (36) months from the termination of the Research Program. CFFT shall cause the accounting firm to retain all such information in confidence.

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In the event that the aggregate costs actually chargeable to the Research Program during any year are less than the amount previously advanced to Vertex by CFFT and properly attributable to that year (a "Negative Difference"), in addition to reimbursing CFFT for the Negative Difference

plus interest calculated at [***] if the Negative Difference is more than [***] then Vertex shall also pay the reasonable costs of the independent accountant employed by CFFT in the review.

4.6 Payments Due Under the Original Agreement.

Vertex acknowledges that no further milestone payments, beyond those made to Vertex prior to the Effective Date of this Agreement under the Original Agreement. Outsource costs incurred by Vertex under the Original Agreement prior to the Effective Date will be reimbursed by CFFT under the terms of the Original Agreement from available funds provided under the Original Agreement. Except as specified in the preceding sentence, neither Vertex nor CFFT shall have any remaining obligations under the Original Agreement after the Effective Date.

ARTICLE V — COMMERCIALIZATION; ROYALTIES

5.1 Marketing and Promotion.

Vertex and/or its licensees and sublicensees shall have exclusive rights to market, sell and distribute all Drug Products in the Territory, subject to the Special CFFT Rights provided in Sections 10.5 and 10.6 below.

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5.2 Due Diligence.

Vertex shall use diligent and commercially reasonable efforts consistent with the requirements of the Development Program and sound and reasonable business practices and judgment to effect introduction of Drug Products into major markets in North America and Europe as soon as reasonably practicable, devoting the same degree of attention and diligence to those efforts that it devotes to similar activities for its other products of comparable market potential.

5.3 Royalties.

5.3.1 Net Sales in the Field. Vertex shall pay to CFFT the following royalties on annual Net Sales of each Drug Product:

[***]

[***] Net Sales under this Section 5.3.1 shall not in any event include any Net Sales of Drug Products which are the subject of the royalty obligations set forth in Sections 5.3.2, 10.5.4, 10.5.5, and 10.5.6 hereof.

5.3.2 Net Sales outside the Field. Vertex shall pay CFFT a royalty of [***] of annual Net Sales of each Drug Product for use outside the Field.

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5.4 Sales Reports.

(a) After the First Commercial Sale of a Drug Product, Vertex shall furnish or cause to be furnished to CFFT on a quarterly basis a written report or reports covering each calendar quarter (each such calendar quarter being sometimes referred to herein as a "reporting period") within sixty days after the close of each quarter showing, for Net Sales in the Field and, separately, for Net Sales outside the Field, (i) the Net Sales of each Drug Product in each country in the world during the reporting period by Vertex and each Affiliate, licensee and sublicensee; (ii) the royalties, payable in U.S. dollars ("Dollars"), which shall have accrued under Section 5.3 hereof in respect of such sales and the basis of calculating those royalties; (iii) withholding taxes, if any, required by law to be deducted from any royalties payable in respect of any such sales; (iv) the exchange rates used in converting into Dollars, from the currencies in which sales were made, any payments due which are based on Net Sales; and (v) dispositions of Drug Products other than pursuant to sale for cash. With respect to sales of Drug Products invoiced in Dollars, the Net Sales amounts and the amounts due to CFFT hereunder shall be expressed in Dollars. With respect to sales of Drug Products invoiced in a currency other than Dollars, the Net Sales and amounts due to CFFT hereunder shall be expressed in the domestic currency of the party making the sale, together with the Dollar equivalent of the amount payable to CFFT, calculated by translating foreign currency sales into U.S. dollars based on the average of the exchange rates reported in *The Wall Street Journal* or comparable publication over the period covered by the royalty report. If any licensee or sublicensee makes any sales invoiced in a currency other than its domestic currency, the Net Sales shall be converted to its domestic currency in accordance with the licensee's or sublicensee's normal accounting principles. Vertex shall furnish to CFFT appropriate evidence of payment of any tax or other amount required by applicable laws or

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regulations to be deducted from any royalty payment payable by Vertex to CFFT pursuant to this Agreement, including any tax or withholding levied by a foreign taxing authority in respect of the payment or accrual of any royalty. Reports shall be due on the thirtieth (30th) day following the close of each reporting period, although Vertex shall also provide CFFT with a "flash" report of Net Sales, only, within ten (10) business days after the end of each month. Vertex shall keep accurate records in sufficient detail to enable the amounts due hereunder to be determined and to be verified by CFFT.

(b) Amounts shown to have accrued by each sales report provided under Section 5.4(a), above, shall be due and payable on the date that sales report is due.

(c) All payments shall be made in Dollars. If at any time legal restrictions prevent the prompt remittance of any payments with respect to any country in the Territory where Drug Products are sold, Vertex or its sublicensees shall have the right and option to make such payments by depositing the amount thereof in local currency to CFFT's account in a bank or depository in such country.

(d) Upon the written request of CFFT, at CFFT's expense and not more than once in or in respect of any calendar year, Vertex shall permit an independent accountant of national prominence selected by CFFT, to have access during normal business hours to those records of Vertex as may be reasonably necessary to verify the accuracy of the sales reports furnished by Vertex pursuant to this Section 5.4, in respect of any calendar year ending not more than thirty-six (36) months prior to the date of such notice. The report prepared by such independent accountant, a copy of which shall be sent or otherwise provided to Vertex by such independent accountant at the same time it is sent or otherwise provided to CFFT, shall contain the conclusions of such independent accountant regarding the audit and will specify that the

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amounts paid to CFFT pursuant thereto were correct or, if incorrect, the amount of any underpayment or overpayment. If such independent accountant's report shows any underpayment, Vertex shall remit to CFFT within thirty (30) days after Vertex's receipt of such report, (i) the amount of such underpayment plus interest at the Prime Rate plus two (2) percentage points calculated from the date such payment is due, and (ii) if such underpayment exceeds [***] then being audited, the reasonable and necessary fees and expenses of such independent accountant performing the audit, subject to reasonable substantiation thereof. Any overpayments shall be fully creditable against amounts payable in subsequent payment periods. CFFT agrees that all information subject to review under this Section 5.4 or under any sublicense agreement is confidential and that CFFT shall retain and cause its accountant to retain all such information in confidence. Upon the expiration of thirty-six (36) months following the end of any calendar year, the calculation of amounts payable with respect to such fiscal year shall be binding and conclusive upon CFFT, and Vertex shall be released from any liability or accountability with respect to payments for such year.

(e) In case of any delay in payment by Vertex to CFFT not occasioned by Force Majeure, interest shall be calculated at the [***] from the tenth (10th) day after the due date of the payment, shall be due from Vertex.

5.5 Vertex First Negotiation Right re: CFF Royalty Disposition.

If CFFT should wish to assign, sell or otherwise transfer rights in or to any of the royalty payments due or to become due from Vertex, its Affiliates, successors, assignees, licensees or sublicensees under any of the provisions of this Agreement, or to undertake any transaction which would have the same or a similar effect as any such assignment, sale or

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transfer, it will provide Vertex with sixty (60) days prior written notice (a "Transfer Notice"), and during that sixty day period will at Vertex's request negotiate with Vertex in good faith, with the objective of reaching an agreement under which those CFFT rights which were the subject of the Transfer Notice would be assigned, sold or transferred to Vertex, its successors or assigns in lieu of an assignment, sale, transfer or other transaction to or with a Third Party. If at the end of the sixty day period referenced above Vertex and CFFT have been unsuccessful in negotiating mutually agreeable terms of assignment, sale or transfer, then CFFT shall be under no further obligation to Vertex under this Section 5.5, unless it shall not conclude a transaction with a Third Party covering the rights which were the subject of the initial Transfer Notice within twelve (12) months after the date of delivery of that Transfer Notice, in which event any subsequent effort to assign, sell or transfer any of those rights shall be once again subject to the terms of this Section 5.5.

ARTICLE VI - CONFIDENTIALITY

6.1 Undertaking.

During the term of this Agreement, each party shall keep confidential, and other than as provided herein shall not use or disclose, directly or indirectly, any trade secrets, confidential or proprietary information, or any other knowledge, information, documents or materials, owned, developed or possessed by the other party, whether in tangible or intangible form, the confidentiality of which such other party takes reasonable measures to protect ("Confidential Information"). Neither CFFT nor Vertex will use the other party's Confidential Information except as expressly permitted in this Agreement

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(a) Each party shall take any and all lawful measures to prevent the unauthorized use and disclosure of the other party's Confidential Information, and to prevent unauthorized persons or entities from obtaining or using that Information.

(b) Each party will refrain from directly or indirectly taking any action which would constitute or facilitate the unauthorized use or disclosure of the other party's Confidential Information. Each party may disclose that Information to its officers, employees and agents, to authorized licensees and sublicensees, and to subcontractors in connection with the development or manufacture of Drug Candidates, Drug Product Candidates or Drug Products, to the extent necessary to enable such parties to perform their obligations hereunder or under the applicable license, sublicense or subcontract, as the case may be; provided, that such officers, employees, agents, licensees, sublicensees and subcontractors have entered into appropriate confidentiality agreements for secrecy and non-use of such Confidential Information which by their terms shall be enforceable by injunctive relief at the instance of the disclosing party.

(c) Each party shall be liable for any unauthorized use and disclosure of the other party's Confidential Information by its officers, employees and agents and any such sublicensees and subcontractors.

6.2 Exceptions.

Notwithstanding the foregoing, the provisions of Section 6.1 hereof shall not apply to Confidential Information which the receiving party can conclusively establish:

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(a) has entered the public domain without such party's breach of any obligation owed to the disclosing party;

(b) is permitted to be disclosed by the prior written consent of the disclosing party;

(c) has become known to the receiving party from a source other than the disclosing party, other than by breach of an obligation of confidentiality owed to the disclosing party;

(d) is disclosed by the disclosing party to a Third Party without restrictions on its disclosure;

(e) is independently developed by the receiving party without breach of this Agreement; or

(f) is required to be disclosed by the receiving party to comply with applicable laws or regulations, to defend or prosecute litigation or to comply with governmental regulations, provided that the receiving party provides prior written notice of such disclosure to the disclosing party and takes reasonable and lawful actions to avoid or minimize the degree of such disclosure.

Either Vertex or CFFT may at any time, by notice in writing to the other party, waive any or all of the confidentiality obligations to which the other party is subject hereunder, for any length of time or with respect to any specific information.

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6.3 Publicity.

The parties will agree upon the timing and content of any initial press release or other public communications relating to this Agreement and the transactions contemplated herein.

(a) Except to the extent already disclosed in that initial press release or other public communication, no public announcement concerning the terms of this Agreement or concerning the transactions described herein shall be made, either directly or indirectly, by Vertex or CFFT, except (i) as may be legally required by applicable laws, regulations, or judicial order, or (ii) if limited to the fact that the Research Program exists, that research is in progress, and its anticipated completion without first obtaining the approval of the other party and agreement upon the nature, text, and timing of such announcement, which approval and agreement shall not be unreasonably withheld.

(b) The party desiring to make any such public announcement shall provide the other party with a written copy of the proposed announcement in sufficient time prior to public release to allow such other party to comment upon such announcement, prior to public release.

6.4 Survival.

The provisions of this Article VI shall survive the termination of this Agreement and shall extend [***].

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ARTICLE VII - PUBLICATION

Each of Vertex and CFFT reserves the right to publish or publicly present the results (the “Results”) of the Research Program, subject to the following terms and conditions. The party proposing to publish or publicly present the Results (the “publishing party”) will submit a draft of any proposed manuscript or speech to the other party (the “non-publishing party”) for comments at least [***] prior to submission for publication or oral presentation. The non-publishing party shall notify the publishing party in writing [***] of receipt of such draft whether such draft contains (i) information of the non-publishing party which it considers to be confidential under the provisions of Article VI hereof, (ii) information that if published would have an adverse effect on a patent application covering the subject matter of this Agreement which the non-publishing party intends to file, or (iii) information which the non-publishing party reasonably believes would be likely to have a material adverse impact on the development or commercialization of a Drug Product Candidate. In any such notification, the non-publishing party shall indicate with specificity its suggestions regarding the manner and degree to which the publishing party may disclose such information. In the case of item (ii) above, the non-publishing party may request a delay and the publishing party shall delay such publication, for a period not exceeding [***], to permit the timely preparation and filing of a patent application or an application for a certificate of invention on the information involved. In the case of item (i) above, no party may publish Confidential Information of the other party without its consent in violation of Article V of this Agreement. In the case of item (iii) above, if the publishing party shall disagree with the non-publishing party’s assessment of the impact of the publication, then the issue shall be referred to the JSC for resolution. If the JSC is unable to reach agreement on the matter within thirty (30) days after such referral, the matter shall be referred by the JSC to the

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Chief Executive Officer of CFFT and the Chief Executive Officer of Vertex who shall attempt in good faith to reach a fair and equitable resolution of this disagreement. If the disagreement is not resolved in this manner within two (2) weeks of referral by the JSC as aforesaid, then the decision of the publishing party as to publication of any information generated by it, subject always to the confidentiality provisions of Article V hereof, shall be final, provided that such decision shall be exercised with reasonable regard for the interests of the non-publishing party. The parties agree that authorship of any publication will be determined based on the customary standards then being applied in the relevant scientific journal, and that appropriate credit will be acknowledged when the subject matter of a publication is derived in whole or in significant part from Vertex CF Technology or inventions licensed by CFFT pursuant to Section 9.1 of this Agreement. The parties will use their best efforts to gain the right to review proposed publications relating to the subject matter of the Research Program by consultants or contractors.

Notwithstanding the foregoing, Vertex intends to advance the body of general scientific knowledge of CF and its potential therapies, and to contribute to the identification of chemical tools as optimal scientific benchmarks, all in a manner consistent with its general scientific and commercial objectives in entering into the collaboration with CFFT to which this Agreement relates. In furtherance of that objective, Vertex would expect, after giving due consideration to the appropriate protection of intellectual property, to publish information in peer-reviewed scientific journals concerning its efforts under the Research Program, including chemical structural information about at least two Compounds. Vertex will include as co-authors of any such publication contributing CFFT personnel and consultants and other persons who would customarily be considered in that regard, including members of the JRC as appropriate. CFFT’s financial contribution to the Research Program also will be acknowledged.

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This Article VII shall survive the termination of this Agreement for five (5) years from the date of such termination.

ARTICLE VIII - INDEMNIFICATION

8.1 Indemnification by Vertex.

Vertex will indemnify and hold CFFT and its Affiliates, and their employees, officers and directors harmless against any loss, damages, action, suit, claim, demand, liability, expense, bodily injury, death or property damage (a “Loss”), that may be brought, instituted or arise against or be incurred by such persons to the extent such Loss is based on or arises out of:

- (a) the development, manufacture, use, sale, storage or handling of a Compound, a Development Candidate, a Drug Product Candidate or a Drug Product by VERTEX or its Affiliates or their representatives, agents, authorized licensees, sublicensees or subcontractors under this Agreement, or any actual or alleged violation of law resulting therefrom; or
- (b) the breach by Vertex of any of its covenants, representations or warranties set forth in this Agreement; and
- (c) provided however, that the foregoing indemnification shall not apply to any Loss to the extent such Loss is caused by the negligent or willful misconduct of CFFT or its Affiliates.

8.2 Indemnification by CFFT.

CFFT will indemnify and hold Vertex, and its Affiliates, and their employees, officers and directors harmless against any Loss that may be brought, instituted or arise against or be incurred by such persons to the extent such Loss is based on or arises out of:

- (a) the development, manufacture, use, sale, storage or handling of a Compound, a Development Candidate, a Drug Product Candidate or a Drug Product by CFFT or its Affiliates or their representatives, agents, authorized licensees, sublicensees or subcontractors under this Agreement, or any actual or alleged violation of law resulting therefrom; or
- (b) the breach by CFFT of any of its covenants, representations or warranties set forth in this Agreement; and
- (c) provided that the foregoing indemnification shall not apply to any Loss to the extent such Loss is caused by the negligent or willful misconduct of Vertex or its Affiliates.

8.3 Claims Procedures.

Each Party entitled to be indemnified by the other Party (an “Indemnified Party”) pursuant to Section 8.1 or 8.2 hereof shall give notice to the other Party (an “Indemnifying Party”) promptly after such Indemnified Party has actual knowledge of any threatened or asserted claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided:

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(a) That counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld) and the Indemnified Party may participate in such defense at such party’s expense (unless (i) the employment of counsel by such Indemnified Party has been authorized by the Indemnifying Party; or (ii) the Indemnified Party shall have reasonably concluded that there may be a conflict of interest between the Indemnifying Party and the Indemnified Party in the defense of such action, in each of which cases the Indemnifying Party shall pay the reasonable fees and expenses of one law firm serving as counsel for the Indemnified Party, which law firm shall be subject to approval, not to be unreasonably withheld, by the Indemnifying Party); and

(b) The failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement to the extent that the failure to give notice did not result in harm to the Indemnifying Party.

(c) No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the approval of each Indemnified Party which approval shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement which (i) would result in injunctive or other relief being imposed against the Indemnified Party; or (ii) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such

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Indemnified Party of a release from all liability in respect to such claim or litigation.

(d) Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

ARTICLE IX— PATENTABLE INVENTIONS

9.1 Ownership.

All inventions made and all Know-How generated exclusively by either party or its Affiliates (directly or through others acting on its behalf) prior to and during the term of this Agreement relating to the Research Program shall be owned by the party making the invention or generating the Know-How claimed, or if such invention is made jointly (a “Joint Invention”), shall be owned jointly, all as determined in accordance with United States laws of inventorship; provided that, CFFT hereby grants to Vertex an exclusive (even as to CFFT worldwide) license to its rights in any Joint Invention and any CFFT invention resulting from the Research Program for the purposes specified in this Agreement.

9.2 Preparation.

Vertex shall take responsibility for the preparation, filing, prosecution and maintenance of all Vertex Patents, and any patents and patent applications claiming Joint Inventions, and CFFT shall take responsibility for the preparation, filing, prosecution and

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maintenance of all CFFT Patents. Vertex shall provide the JRC with periodic reports listing, by name, Patents filed by Vertex in the United States and other jurisdictions, along with a general summary of the claims made and the jurisdictions of filing.

9.3 Costs.

[***]

ARTICLE X — TERM AND TERMINATION

10.1 Term.

This Agreement will extend until the Research Termination Date as defined herein, unless earlier terminated by either party hereto in accordance with this Agreement, or unless extended by mutual agreement of the parties.

10.2 Termination of the Research Program by CFFT for Cause.

Upon written notice to Vertex, CFFT may at its sole discretion unilaterally terminate the Research Program and this Agreement upon the occurrence of any of the following events:

(a) Vertex shall materially breach any of its material obligations under this Agreement, and such material breach shall not have been remedied or material steps initiated to remedy the same to CFFT's reasonable satisfaction, within thirty (30) days after CFFT sends written notice of breach to Vertex; or

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(b) Vertex shall cease to function as a going concern by suspending or discontinuing its business for any reason except for interruptions caused by events of Force Majeure.

In the event of any valid termination under this Section 10.2, CFFT shall not be required to make any payments under Section 3.2 hereof which have not accrued prior to receipt by Vertex of the notice of breach referenced under Section 10.2(a) or receipt by Vertex of the notice of termination pursuant to Section 10.2(b), as the case may be.

10.3 Termination of the Research Program by Vertex for Cause.

Vertex may at its sole discretion terminate this Agreement upon written notice to CFFT upon the occurrence of the following event:

CFFT shall materially breach any of its material obligations under this Agreement and such material breach shall not have been remedied or material steps initiated to remedy the same to Vertex's reasonable satisfaction, within thirty (30) days after Vertex sends written notice of breach to CFFT.

10.4 General Effect of Termination.

(a) Except where explicitly provided elsewhere herein, termination of this Agreement for any reason, or expiration of this Agreement, will not affect: (i) obligations which have accrued as of the date of termination or expiration, and (ii) obligations and rights which, expressly or from the context thereof, are intended to survive termination or expiration of this Agreement. Without limitation, the following shall survive termination either indefinitely or for the

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period so stated: Section 2.9 (for the limited purposes of completing a Testing Request with respect to a Development Candidate after the Research Termination Date) and Articles III, V, VI, VII, VIII, IX, XI and XII.

(b) Upon termination or expiration of this Agreement, Vertex will retain exclusive rights to Vertex CF Technology and the inventions licensed to it by CFFT pursuant to Section 9.1 of this Agreement (including intellectual property), except CFFT shall hold those rights specified under Sections 10.5 and 10.6 hereof, as applicable.

10.5 CFFT Special Termination Rights.

CFFT at its sole discretion may exercise the following Special Termination Rights at or within the time period stated, before the Research Termination Date.

10.5.1 Termination after Program Designation. At any time after the Primary Program Designation Date referenced in Section 2.4 hereof, CFFT may request in writing (a "Selection Disagreement Notice") that Vertex reconsider its Primary Program choice and its primary focus on either Potentiator or Correctors. If Vertex does not elect by written notice to CFFT to amend its choice and select for the Primary Program the mode of action (i.e., Potentiator or Corrector), preferred by CFFT (the "Preferred CFFT Mode of Action"), then the Agreement will terminate effective sixty (60) days following receipt by Vertex of the Selection Disagreement Notice, unless that Notice is earlier withdrawn by CFFT by further notice in writing delivered to Vertex within sixty (60) days after receipt by Vertex of the Selection Disagreement Notice.

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10.5.2 Early Termination. At its sole discretion, CFFT may terminate this Agreement effective June 30, 2005, upon not less than sixty (60) days prior written notice to Vertex, (an "Early Termination Notice").

10.5.3 Alternate Program Termination. CFFT may by written notice delivered to Vertex (the "Alternate Program Termination Notice") elect to terminate the Alternate Program and all funding which under the Current Budget would have been allocated to the Alternate Program after the effective date of termination. Termination will be effective on the 30th day following receipt by Vertex of the Alternate Program Termination Notice (the "Alternate Program Termination Date"). Notwithstanding such Termination, CFFT will reimburse Vertex during the ninety (90) days following such Termination for all outsourced costs [***] From and after the date the Alternate Program Termination Notice is received by Vertex, CFFT will not be obligated to fund any other outsourcing costs allocated in the Current Budget to the Alternate Program. Funding for FTEs which are allocated to the Alternate Program may at Vertex's discretion, after consultation with CFFT, be allocated to provide additional FTE support for the Primary Program. The required minimum FTE level set forth in Section 4.1 hereof will be adjusted as appropriate to reflect termination of the Alternate Program as provided herein.

10.5.4 Upon the effective date of termination of this Agreement under Section 10.5.1 above, Vertex hereby grants to CFFT and its Affiliates an exclusive, worldwide license, with the right to sublicense, under the Vertex CF Technology to make, have made, use, have used, import, offer for sale, sell and have sold drug products in the Field for which the principal mode of action is the Preferred CFFT Mode of Action, and the license to Vertex of inventions

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pursuant to Section 9.1 of this Agreement regarding such Mode of Action shall terminate. In consideration of the foregoing license, CFFT will pay Vertex [***].

10.5.5 In the event this Agreement is terminated by CFFT under Section 10.5.2 hereof, and in lieu of any other obligations (including royalty obligations under Section 5.3 hereof) owed by Vertex to CFFT hereunder except obligations that explicitly survive termination of this Agreement, Vertex shall pay CFFT [***]

10.5.6 In the event the Alternate Program is terminated by CFFT under Section 10.5.3 hereof, and Vertex thereafter sells a Drug Product in the Field which relies for its principal therapeutic effect in the Field on the mode of action which was the subject of the Alternate Program, then in lieu of the royalty obligation set forth in Section 5.3 hereof, Vertex will pay to CFFT [***]

10.5.7 For purposes of Section 10.5.5 and 10.5.6, a product shall constitute a Drug Product even though the notice for a Development Candidate specified in Section 1.11 has not been issued by Vertex.

10.6 Consequences of an Interruption.

10.6.1 For purposes of this Agreement, an "Interruption" shall be deemed to have occurred in any of the following circumstances:

(a) with respect to either the Primary Program or the Alternate Program, considered separately, if at any time after the Research Termination Date and before a Drug Product is achieved, Vertex or its Affiliates, licensees, sublicensees, assignees or partners (collectively, and for purposes of this Section

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10.6 only, "Vertex") either, as applicable, (i) ceases reasonable research efforts directed toward identification of a Development Candidate, or (ii) ceases reasonable development efforts with respect to a Development Candidate (if one has been designated by Vertex), for a period of more than 180 consecutive days, and CFFT delivers written notice (an "Interruption Notice") to Vertex stating that an Interruption under this Section 10.6 has occurred; provided that an Interruption will not be deemed to have occurred with respect to a Development Candidate unless Vertex commences reasonable development efforts with respect to another Development Candidate from the same Program, within thirty (30) days after receipt of any such Interruption Notice and such development efforts continue uninterrupted for no less than three hundred sixty (360) days;

10.6.2 Upon the effective date of any Interruption under Section 10.6.1 above, the license granted to Vertex under Section 9.1 for any CFFT invention shall terminate with respect to the applicable Program described below, and the following license in favor of CFFT shall become effective:

(a) If the Program to which the Interruption relates involves the design of Compounds which are intended to act as Potentiators, then CFFT shall have an exclusive right [***] and with respect to those Compounds, CFFT shall have an irrevocable, exclusive worldwide license, with the right to sublicense, under the Vertex CF Technology to develop, manufacture, have manufactured, use, sell, offer to sell and import those Compounds in the Field.

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(b) If the Program to which the Interruption relates involves the design of Compounds which are intended to act as Correctors, then CFFT shall have an exclusive right [***] and with respect to those Compounds, CFFT shall have an irrevocable, exclusive worldwide license, with the right to sublicense, under the Vertex CF Technology to develop, manufacture, have manufactured, use, sell, offer to sell and import those Compounds in the Field.

(c) In lieu of any other obligation owed by CFFT to Vertex pursuant to this Agreement, except obligations that explicitly survive termination of this Agreement, CFFT shall pay Vertex [***]

(d) In connection with either or both of the foregoing licenses, Vertex will deliver to CFFT the Termination Know-How Package associated with the Program to which the license relates expeditiously upon the occurrence of an Interruption.

(e) For purposes of CFFT's compound selection right under subsection (a) or (b) above, the classification of a particular Compound as a Potentiator or a Corrector will be determined as specified in the respective definitions of those terms which are set forth in Article I hereof.

10.7 Refused Program Extension.

If (a) Vertex proposes a Research Program Extension under Section 2.9 hereof which is a "Qualifying Extension Proposal" as defined below: and

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(b) CFFT refuses that proposal and declines to continue funding of the relevant Program (a "Refused Program") as specified in the Qualifying Extension Proposal; and

(c) Vertex continues funding of the Refused Program for the proposed term, on a funding level for the proposed term at least equal to Vertex's share of the funding provided in the Qualified Extension Proposal and a Drug Product is thereafter sold by Vertex then the royalty otherwise payable to CFFT under Section 5.3 hereof with respect to any Development Candidate selected from the Refused Program by Vertex more than twelve (12) months after the Research Termination Date, shall be reduced [***] An extension of any efforts by Vertex pursuant to the foregoing shall be called a "Refused Program Extension."

For purposes of this Section 10.7, a "Qualifying Extension Proposal" shall mean, with respect to any Program, a proposed extension of that Program beyond the Research Termination Date (i) at an average annualized cost not greater than the level provided under the Current Budget in effect for the six month period immediately preceding the Research Termination Date with respect to that Program; (ii) on relevant terms substantially similar to those set forth in this Agreement; but (iii) with the aggregate funding commitment divided equally between Vertex and CFFT.

ARTICLE XI — REPRESENTATIONS AND WARRANTIES

11.1 Representations and Warranties of Vertex.

Vertex represents and warrants to CFFT that this Agreement has been duly executed and delivered by Vertex and constitutes the valid and binding obligation

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of Vertex, enforceable against Vertex in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, bankruptcy, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of VERTEX, its officers and directors.:

11.2 Representations and Warranties of CFFT.

CFFT represents and warrants to Vertex that this Agreement has been duly executed and delivered by CFFT and constitutes the valid and binding obligation of CFFT, enforceable against CFFT in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, bankruptcy, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of CFFT, its officers and directors.

ARTICLE XII — DISPUTE RESOLUTION

12.1 Governing Law, and Jurisdiction.

This Agreement shall be governed and construed in accordance with the internal laws of The Commonwealth of Massachusetts.

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12.2 Dispute Resolution Process.

(a) General. Except as set forth in (b) below or as otherwise explicitly provided herein, in the event of any controversy or claim arising out of or relating to any provision of this Agreement, or the collaborative effort contemplated hereby, the parties shall, and either party may, initially refer such dispute to the JSC, and failing resolution of the controversy or claim within thirty (30) days after such referral, the matter shall be referred to the Chief Executive Officer of Vertex and the Chief Executive Officer of CFFT who shall, as soon as practicable, attempt in good faith to resolve the controversy or claim. If such controversy or claim is not resolved within sixty (60) days of the date of initial referral of the matter to the JSC, either party shall be free to initiate proceedings in any court having requisite jurisdiction.

(b) Third Party Referral. Any dispute or claim relating to the "Referral Matters" as defined below which the parties are unable to resolve pursuant to the other dispute resolution mechanisms provided in this Agreement (other than litigation) shall, upon the written request of one party delivered to the other party, be submitted to and settled by a panel of Third Parties (a "Third Party Panel") appointed by Vertex and CFFT as provided below. The "Referral Matter" shall consist solely of disagreements concerning whether a particular Compound has satisfied all of the applicable Development Candidate Criteria. Within thirty (30) days after delivery of the above-referenced written request, each party will appoint one person who is not an Affiliate of the party appointing that person, and

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who is knowledgeable in the areas of pharmaceutical science, business and commercial aspects of drug development and sale, or the clinical development of pharmaceuticals, to hear and determine the dispute. The two persons so chosen will select another impartial Third Party and their majority decision will be final and conclusive upon the parties hereto. If either party fails to designate its appointee within the thirty (30) day period referenced above, then the appointee who has been designated by the other party will serve as the sole member of the Third Party Panel and will be deemed to be the single, mutually approved party to resolve the dispute. Each party will bear its own costs in the Third Party Referral process, and the parties will split equally the costs of the Third Party Panel members. The Third Party Panel will, upon the request of either party, issue its final determination in writing.

ARTICLE XIII — MISCELLANEOUS PROVISIONS

13.1 Waiver.

No provision of this Agreement may be waived except in writing by both parties hereto. No failure or delay by either party hereto in exercising any right or remedy hereunder or under applicable law will operate as a waiver thereof, or a waiver of any right or remedy on any subsequent occasion.

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13.2 Force Majeure.

Neither party will be in breach hereof by reason of its delay in the performance of or failure to perform any of its obligations hereunder, if that delay or failure is caused by strikes, acts of God or the public enemy, riots, incendiaries, interference by civil or military authorities, compliance with governmental priorities for materials, or any fault beyond its control or without its fault or negligence.

13.3 Severability.

Should one or more provisions of this Agreement be or become invalid, then the parties hereto shall attempt to agree upon valid provisions in substitution for the invalid provisions, which in their economic effect come so close to the invalid provisions that it can be reasonably assumed that the parties would have accepted this Agreement with those new provisions. If the parties are unable to agree on such valid provisions, the invalidity of such one or more provisions of this Agreement shall nevertheless not affect the validity of the Agreement as a whole, unless the invalid provisions are of such essential importance for this Agreement that it may be reasonably presumed that the parties would not have entered into this Agreement without the invalid provisions.

13.4 Government Acts.

In the event that any act, regulation, directive, or law of a country or its government, including its departments, agencies or courts, should make impossible or prohibit, restrain, modify or limit any material act or obligation of CFFT or Vertex under this Agreement, the party, if any, not so affected, shall have the right, at its option, to suspend or terminate this Agreement as to such country, if good faith negotiations between the parties to make such

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modifications therein as may be necessary to fairly address the impact thereof, are not successful after a reasonable period of time in producing mutually acceptable modifications to this Agreement.

13.5 Assignment.

This Agreement may not be assigned or otherwise transferred by either party without the prior written consent of the other party; provided, however, that either party may assign this Agreement, without the consent of the other party, (i) to any of its Affiliates, if the assigning party guarantees the full performance of its Affiliates' obligations hereunder, or (ii) in connection with the transfer or sale of all or substantially all of its assets or business or in the event of its merger or consolidation with another company. Any purported assignment in contravention of this Section 13.5 shall, at the option of the non-assigning party, be null and void and of no effect. No assignment shall release either party from responsibility for the performance of any accrued obligation of such party hereunder. This Agreement shall be binding upon and enforceable against the successor to or any permitted assignees from either of the parties hereto.

13.6 Counterparts.

This Agreement may be executed in duplicate, each of which shall be deemed to be original and both of which shall constitute one and the same Agreement.

13.7 No Agency.

Nothing herein contained shall be deemed to create an agency, joint venture, amalgamation, partnership or similar relationship between CFFT and Vertex. Notwithstanding

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any of the provisions of this Agreement, neither party to this Agreement shall at any time enter into, incur, or hold itself out to third parties as having authority to enter into or incur, on behalf of the other party, any commitment, expense, or liability whatsoever, and all contracts, expenses and liabilities in connection with or relating to the obligations of each party under this Agreement shall be made, paid, and undertaken exclusively by such party on its own behalf and not as an agent or representative of the other.

13.8 Notice.

All communications between the parties with respect to any of the provisions of this Agreement will be sent to the addresses set out below, or to such other addresses as may be designated by one party to the other by notice pursuant hereto, by prepaid, certified air mail (which shall be deemed received by the other party on the seventh business day following deposit in the mails), or by facsimile transmission, or other electronic means of communication (which shall be deemed received when transmitted), with confirmation by first class letter, postage pre-paid, given by the close of business on or before the next following business day:

if to CFFT, at:

Cystic Fibrosis Foundation Therapeutics Incorporated

6931 Arlington Road

Bethesda, Maryland 20814

Attention: Dr. Robert J. Beall, President

with a copy to: Kenneth I. Schaner, Esq.

Swidler Berlin Shereff Friedman, LLP

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3000 K Street, N.W., Suite 300

Washington, D.C. 20007

if to Vertex, at:

Vertex Pharmaceuticals Incorporated

130 Waverly Street

Cambridge, MA 02139-4211

Attention: President

with a copy to: Legal Department

Attention: General Counsel

13.9 Headings.

The paragraph headings are for convenience only and will not be deemed to affect in any way the language of the provisions to which they refer.

13.10 Authority.

The undersigned represent that they are authorized to sign this Agreement on behalf of the parties hereto. The parties each represent that no provision of this Agreement will violate any other agreement that such party may have with any other person or company. Each party has relied on that representation in entering into this Agreement.

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13.11 Entire Agreement.

This Agreement contains the entire understanding of the parties relating to the matters referred to herein, and may only be amended by a written document, duly executed on behalf of the respective parties.

13.12 Notice of Pharmaceutical Side-Effects.

During the term of this Agreement, the parties shall keep each other promptly and fully informed and will promptly notify appropriate authorities in accordance with applicable law, after receipt of information with respect to any serious adverse event (as defined by the ICH Harmonized Tripartite Guideline on Clinical Safety Data Management), directly or indirectly attributable to the use or application of Compounds, a Development Candidate, Bulk Drug Substance, a Drug Product Candidate, a Drug Product, and any other product for which royalties are payable under this Agreement.

13.13 Invoice Requirement.

Any amounts payable to Vertex hereunder shall be made within thirty days after receipt by CFFT, or its nominee designated for that purpose in advance by CFFT in writing to Vertex, of an invoice covering such payment.

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VERTEX PHARMACEUTICALS INCORPORATED

By: /s/ Kenneth S. Boger

Kenneth S. Boger

Title: Senior Vice President and General Counsel

CYSTIC FIBROSIS FOUNDATION

By: /s/ Robert Beall
Title: President and CEO

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EXHIBIT 2.4

RESEARCH PLAN



Research Plan

for the

CFFT — Vertex Pharmaceuticals Collaboration

May 10, 2004

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May 10, 2004

Confidential

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EXHIBIT 4.2

INITIAL BUDGET FOR RESEARCH PROGRAM

Vertex/CFRT — CFTR Drug Discovery Budget

2004-2005

Confidential Treatment Requested
Confidential portions of this document have been redacted and have been separately filed with the Commission

AMENDMENT NO. 5 to
RESEARCH, DEVELOPMENT AND COMMERCIALIZATION AGREEMENT,
DATED MAY 24, 2004, by and between VERTEX PHARMACEUTICALS INCORPORATED and CYSTIC FIBROSIS FOUNDATION
THERAPEUTICS INCORPORATED

This Amendment No. 5 (the "Fifth Amendment") is made effective as of April 1, 2011 (the "Effective Date") by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation with its principal offices at 130 Waverly Street, Cambridge, Massachusetts 02139-4242 ("Vertex"), and Cystic Fibrosis Foundation Therapeutics Incorporated, a Delaware corporation with its principal offices at 6931 Arlington Road, Bethesda, Maryland 20814 ("CFFT").

This Fifth Amendment amends the Research, Development and Commercialization Agreement, dated May 24, 2004, by and between Vertex and CFFT (the "Original Agreement"), as amended by Amendment No. 1 to the Original Agreement, dated January 6, 2006 (the "First Amendment"), Amendment No. 2 dated January 1, 2006 (the "Second Amendment"), Amendment No. 3 dated November 20, 2006 (the "Third Amendment"), and Amendment No. 4 dated August 20, 2007 (the "Fourth Amendment"). Any reference herein to the "Original Agreement, as amended", refers to the Original Agreement and all amendments, excluding this Fifth Amendment, unless the context otherwise requires. Vertex and CFFT are referred to herein individually as a "Party" and collectively as the "Parties."

Background

In 1998, CFFT made an award to Aurora Biosciences Corporation ("Aurora") to conduct a feasibility study using high throughput screening for cystic fibrosis targets. On May 19, 2000, CFFT selected and provided support for Aurora to conduct high throughput screening with

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respect to the cystic fibrosis transmembrane conductance regulator ("CFTR") target identified by CFFT. From that time until March 31, 2008 (the "Original Research Term"), Aurora, and then after its merger into Vertex, Vertex, conducted a research program with CFFT's support aimed at identification and design of "Potentiator" and "Corrector" compounds, both of which are directed as a principal mode of therapeutic action at modulation of the biological effect of CFTR in different ways and with different anticipated results.

On May 24, 2004, the Parties executed the Original Agreement. The Original Agreement contemplated that during the course of the research program, Vertex, with CFFT's agreement, would select either the Potentiator or the Corrector approach as its Primary Program (as defined in the Original Agreement, as amended), to which a majority of resources under the research program would be directed, and the other approach would be designated as an Alternative Program (as defined in the Original Agreement, as amended), to which the balance of resources would be directed.

In 2005, with the concurrence of CFFT, Vertex selected the Potentiator approach as the Primary Program, and designated a certain Potentiator, VX-770, as a Development Candidate under the terms of the Original Agreement, as amended. On March 16, 2006, the Parties executed the Second Amendment, which provided for funding for the accelerated development of Potentiator Compounds. On November 20, 2006, the Parties executed the Third Amendment, which allocated on-going CFFT funding to the Vertex Potentiator Back-up Program.

To further the discovery of Corrector Compounds of significant potential value as therapeutics, on January 6, 2006, the Parties executed the First Amendment, which provided, among other things, for continued funding for research relating to Corrector Compounds. On August 20, 2007, the Parties executed the Fourth Amendment, which re-allocated certain of the

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Corrector Research Program funding in order to support accelerated preclinical development of the Corrector Development Candidate VX-809. Upon termination of the Original Research Term, the Original Agreement, as amended, expired pursuant to Section 10.1, and certain provisions, set forth in Section 10.4 of the Original Agreement, as amended, survived.

As of the date of this Fifth Amendment, Vertex is continuing the clinical development of the Potentiator VX-770, the Corrector VX-809, and a combination regimen of both VX-770 and VX-809. Vertex also is developing the Corrector VX-661, which was discovered during the Original Research Term, and intends to identify VX-661 as a Development Candidate in accordance with Section 3.1 of the Original Agreement, as amended. VX-809 and VX-661, together with any additional Correctors discovered by Vertex during the Original Research Term are referred to in this Fifth Amendment as "First Generation Correctors."

In furtherance of its charitable purpose to cure and/or mitigate the effects of cystic fibrosis, CFFT intends to provide the additional funding specified in this Fifth Amendment for the research and development of Correctors for cystic fibrosis. This Fifth Amendment sets forth the Parties' agreement with respect to such (a) additional funding from CFFT to support clinical development of VX-661, (b) additional funding from CFFT for a new research term to

conduct further research relating to discovery of additional Corrector Compounds, such newly-discovered compounds to be referred to herein as "Second Generation Correctors," and (c) clinical development of Second Generation Corrector(s), in accordance with the Original Agreement, as amended, together with this Fifth Amendment; and to amend the Original Agreement, as amended, accordingly.

Capitalized terms not otherwise defined in this Fifth Amendment shall have the meaning ascribed to them in the Original Agreement, as amended. Terms used in this Fifth Amendment

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to refer to a Drug Product which is prepared from a specific Drug Product Candidate or Category of Drug Candidate, for example, Drug Product prepared from VX-770 or Second Generation Correctors, shall be referred to herein by identifying the Drug Product Candidate or category, such as VX-770 Drug Product or Second Generation Corrector Drug Product. If specific provisions of this Fifth Amendment are inconsistent with specific provisions of the Original Agreement, as amended, the provisions of this Fifth Amendment, with respect to the subject matter of this Fifth Amendment, shall control. Otherwise the Original Agreement, as amended, to the extent its provisions have survived the termination of the Original Research Term, shall continue to be applicable.

Amendment

In consideration of the mutual covenants set forth in this Fifth Amendment, and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

Section 1. First Generation Corrector Development and Development Funding.

1.1 VX-661 as Drug Product Candidate. The Parties agree that VX-661 will be designated as a Development Candidate, and that Vertex has commenced a Development Program with respect thereto. The Corrector JDC in place for VX-809 development shall serve as the JDC for VX-661.

1.2 Development Plan. The Corrector JDC shall review implementation of the overall development plan for VX-661. The development plan shall describe the proposed clinical trial activities, non-clinical development activities, and supply and manufacturing activities for VX-661. Any change in the development plan for VX-661 will be reviewed [***].

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1.3 Budget and Funding. Exhibit 1.3(a) contains a summary that sets forth certain estimated costs of the proposed VX-661 development activities for the period through the completion of the [***]. CFFT agrees to fund up to [***]. The proposed activities and budget [***] for the VX-661 development program may be revised by the Corrector JDC from time to time, provided that the amount of [***] to be reimbursed by CFFT shall not be increased without the written consent of CFFT.

[***]. On the Effective Date CFFT shall pay Vertex [***] (of the total [***] to be funded) [***]. For purposes of this Fifth Amendment, Vertex will provide CFFT with [***] reports within [***] (commencing with the second calendar quarter of 2011) showing expenses incurred and invoices received under the VX-661 development program during the quarter just ended against budgeted expenses for that quarter (which, for the second calendar quarter of 2011, shall include any expenses for activities undertaken during the first calendar quarter of 2011 that were invoiced [***]). Payments due for [***] shall be made by CFFT to Vertex [***] within [***] following receipt by CFFT of an invoice for such VX-661 External Development Costs accompanied by usual and customary documentation of such costs, including copies of Third Party invoices supporting such costs and evidence that the costs relate to the VX-661 development program. All payments shall be made without deduction for withholding or similar taxes in United States dollars to the credit of such bank account as may be designated in writing to CFFT. Any payments that fall due on a date that is a legal holiday in The Commonwealth of Massachusetts may be made on the next following day that is not a legal holiday in The Commonwealth.

If the development program for VX-661 is discontinued or the VX-661 External Development Costs incurred to advance VX-661 through completion of the [***] are less than

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[***], CFFT agrees, subject to termination rights by CFFT in accordance with this Fifth Amendment, that any funds remaining from the original [***] funding commitment hereunder will be available to reimburse Vertex for the actual external development costs related to continued development of First Generation Correctors, on the invoicing and payment terms set forth in this Section 1.3 as if it were with respect to VX-661 External Development Costs.

At its sole discretion, CFFT shall have the right to terminate its funding obligation under this Section 1.3, effective upon written notice provided to Vertex [***]. Upon any such funding termination: (a) CFFT shall be responsible to fund only those costs incurred for activities initiated by Vertex and for which Vertex has incurred non-terminable obligations to a Third Party prior to the funding termination; (b) the royalty rates for Net Sales of VX-661 Drug

Product and VX-809 Drug Product set forth in Section 5.3.1(b), [***], as illustrated by the examples set forth in Exhibit 1.3(c); and (c) Section 10.6 of the Original Agreement, as amended by this Fifth Amendment, shall terminate and CFFT shall have none of the rights set forth in such Section 10.6.

Section 2. Second Generation Corrector Research and Development Program Funding.

2.1 Research Plan and Program. Beginning on the Effective Date, the “Research Program” will refer to research undertaken under the terms of this Fifth Amendment pursuant to the research plan for Second Generation Corrector Research (which shall be the “Research Plan” referred to in Section 2.4 of the Original Agreement, as amended, and the research conducted under the Research Plan shall be the “Research Program” under the Original Agreement, as amended, and under this Fifth Amendment), an initial version of which is attached hereto as Exhibit 2.1 (the “Second Generation Corrector Research Plan”). The “Research Term” shall

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begin on the Effective Date and end on the Research Termination Date (as defined in this Fifth Amendment).

2.2 Budget; Funding Obligation; Payments. The budget for the Research Program [***] (as defined in this Fifth Amendment) is attached hereto as Exhibit 2.2(a) (as revised during the term of the Research Program, the “Second Generation Corrector Research Budget”). CFFT agrees to fund up to [***] of the costs of the Research Program for Second Generation Correctors as set forth herein and in the Second Generation Corrector Research Budget, including Vertex internal costs and external costs, for research and development activities, which for purposes of this Fifth Amendment, shall include all research and development activities undertaken with respect to a Second Generation Corrector or Correctors from [***].

For purposes of this Fifth Amendment, Vertex will provide CFFT with [***] reports within [***] (commencing with the second calendar quarter of 2011) showing expenses incurred and invoices received under the Research Program during the quarter just ended against budgeted expenses for that quarter. The first such report shall be due after completion of the second calendar quarter of 2011, and will cover the period from [***] through the end of that quarter.

Payments due under the Second Generation Corrector Research Budget on account of internal FTEs shall be made by CFFT [***]. Internal FTE costs will be calculated at an annual rate of \$[***] per FTE. On the Effective Date CFFT shall pay [***] (of the total [***] to be funded), [***].

Payments due on account of external costs of the Research Program shall be made by CFFT to Vertex [***] within [***] days following receipt by CFFT of an invoice for such external costs accompanied by usual and customary documentation of such costs, including

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copies of Third Party invoices supporting such costs and evidence that the costs relate to the Research Program. For all non-United States Dollar expenditures, documentation of the currency conversion rate shall be provided. Each invoice shall also include a quarterly “true-up” of internal FTEs. Accounting and invoicing for expenditures for the Research Program shall be maintained and provided separately from those for the VX-661 development program.

On or before January 31 of each year during the Research Term, Vertex will provide CFFT with an accounting of all internal FTE costs and external research costs (including documentary evidence of external FTEs and other costs, which shall include a yearly FTE true-up) incurred under the Research Program during the most recently concluded calendar year. If CFFT’s funding for any reporting period is in excess of the amount set forth in the Second Generation Corrector Research Budget for that period, the excess amount will be carried over and applied as a credit against CFFT’s required funding in future periods, subject to the limit of CFFT’s funding obligation set forth above. If CFFT’s funding for any reporting period is less than the amount set forth in the Second Generation Corrector Research Budget for that period, the balance remaining will be carried over and added to the budgeted amount for the next reporting period. If there is any unexpended funding provided by CFFT at the termination of the Research Program, it shall be promptly returned to CFFT. To the extent not inconsistent with the provisions of this Amendment, the provisions of Section 4.5 of the Original Agreement, as amended, will apply to the Research Program.

CFFT agrees to fund up to [***] of external development costs for Second Generation Correctors, as set forth in the estimated development budget in Exhibit 2.2(b), which for purposes of this Fifth Amendment shall include all costs and expenses invoiced by Third Parties, whether for goods or services, associated with the development of a Second Generation

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Corrector or Correctors at any time after an IND is opened for such Second Generation Corrector or Correctors. Vertex will provide CFFT with [***] reports within [***] showing external expenses incurred in development of Second Generation Corrector(s) during the quarter just ended against budgeted expenses for that quarter. Payments due for such expenses shall be made by CFFT to Vertex [***] within [***] days following receipt by CFFT of an invoice for such expenses accompanied by usual and customary documentation of such costs.

For illustrative purposes, Exhibit 2.2(c) shows the total combined costs to be funded by CFFT for (i) the Second Generation Corrector Research Program (as set forth in greater detail in Exhibit 2.2(a)) and (ii) the estimated external development costs for the clinical development of Second Generation Correctors (as set forth in greater detail in Exhibit 2.2(b)).

All payments made by CFFT under this Section 2.2 shall be made without deduction for withholding or similar taxes in United States dollars to the credit of such bank account as may be designated in writing to CFFT. Any payments that fall due on a date that is a legal holiday in The Commonwealth of Massachusetts may be made on the next following day that is not a legal holiday in The Commonwealth.

2.3 Conduct of Research. Vertex will dedicate a minimum average of [***] FTE scientists (on an annualized basis) to the Research Program during its term[***].

2.4 Termination of Research and/or Development Funding. The Research Term shall end on [***], unless the Research Program is otherwise extended or terminated in accordance with this Fifth Amendment (the "Research Termination Date"). After the Research Termination Date, CFFT shall be responsible to fund only those expenses that do not exceed the Second Generation Corrector Research Budget for activities initiated by Vertex prior to the Research Termination Date and for which Vertex has either incurred non-terminable obligations

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to a Third Party, or which require a minimal amount of time and/or resources to complete after the Research Termination Date.

CFFT may in its sole discretion upon [***] notice provided any time after the first anniversary of the Effective Date terminate its funding obligation for the Research Program. In addition, at its sole discretion, CFFT shall have the right to terminate its funding obligations for external development costs for Second Generation Correctors [***]. Upon any such funding termination: (a) CFFT shall be responsible to fund those internal costs incurred for research activities, if any, initiated by Vertex prior to the termination and/or external costs for activities initiated by Vertex and for which Vertex has incurred non-terminable obligations to a Third Party prior to the funding termination; (b) the royalty rates set forth in Sections 5.3.1(c)[***] shall be reduced [***]; and (c) Section 10.6 of the Original Agreement, as amended by this Fifth Amendment, shall terminate and CFFT shall have none of the rights set forth in such Section 10.6.

Section 3. Amendments to Royalty Rates.

3.1 Royalty Rates. Section 5.3.1 of the Original Agreement, as amended, is deleted, and in its place the following shall be inserted:

“5.3.1 Net Sales in the Field

(a) Vertex shall pay to CFFT the following royalties on Net Sales

[***]:

- [***]
- [***]
- [***];

[***].

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(b) [***]:

- [***]
- [***].

[***].

(c) [***]:

- [***]
- [***].

[***].

3.2 Section 5.3.2 of the Original Agreement, as amended, is amended by designating the original language as subparagraph (a), and adding the following as subparagraph (b):

(b) “Vertex also shall pay [***] in two equal installments, as set forth below. [***] which would be payable in the following amounts, in each case within [***] after the [***] in which cumulative Net Sales of Drug Products containing VX-661 or VX-809 have reached the following levels:

[***]	[***]	[***]
[***]		[***]
[***]	[***]	[***]
		[***]”

Section 4. Miscellaneous Provisions.

Section 4.1 Interruption. Section 10.6 of the Original Agreement, as amended, shall be deleted in its entirety, and the following substituted therefore:

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10.6 Interruption.

10.6.1 Definitions. For purposes of this Agreement, the terms defined in this Section 10.6.1 shall have the following meanings:

10.6.1.1 “Ceased”, with respect to the development of a Development Candidate, will mean that Vertex has ceased commercially reasonable development activity, in accordance with the standards of commercial reasonableness set forth in Section 3.1 of the Original Agreement, as amended, with respect to that Development Candidate for a period of twelve consecutive months.

10.6.1.2 “Follow-on” [***].

10.6.1.3 “Lead” [***].

10.6.1.4 “Permitted Reason” shall mean, with respect to any Second Generation Corrector:

(a) Vertex has not completed a clinical study of such Second Generation Corrector designed to establish so-called “proof-of-concept (“POC”), but either (i) Vertex obtained evidence that such compound is unlikely to achieve Successful POC; or (ii) such compound failed to demonstrate Successful Pre-Clinical CFTR Correction Activity; or

(b) Vertex completed clinical studies designed to establish POC for the compound and the compound failed to achieve Successful POC.

10.6.1.5 “Successful Pre-Clinical CFTR Correction Activity” shall mean, with respect to any compound, demonstration that the compound [***]; and (b) [***]. [***].

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10.6.1.6 “Successful POC” shall mean demonstration by a compound [***] of [***].

10.6.1.7 “Vertex” for the purpose of this Section 10.6 only shall mean Vertex or any of its Affiliates, licensees, sublicensees, assignees or partners.

10.6.2 Interruption; License to CFFT. If, prior to commercialization by Vertex of a Second Generation Corrector, Vertex has ceased development with respect to all Correctors (first generation and second generation), there shall be deemed to be an “Interruption.” In the event of an Interruption, the following license in favor of CFFT shall become effective:

(a) if Vertex is not commercializing any First Generation Corrector at the time of the Interruption, then CFFT shall have an irrevocable, exclusive worldwide license [***], with the right to sublicense, under the Vertex CF Technology, to develop, manufacture, have manufactured, use, sell, offer to sell and import those Compounds in the Field; or

(b) if Vertex is commercializing a First Generation Corrector at the time of the Interruption, then CFFT shall have an irrevocable, exclusive worldwide license [***], with the right to sublicense, under the Vertex CF Technology, to develop, manufacture, have manufactured, use, sell, offer to sell and import those Compounds in the Field;

provided, however, the license under this Section 10.6.2(b) shall not encompass any Corrector for which Vertex ceased Development for a Permitted Reason.

[***].

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10.6.3. Termination of Interruption Rights. This Section 10.6 shall terminate, and CFFT shall have no further rights hereunder, immediately upon the First Commercial Sale of a Second Generation Corrector Drug Product, and as otherwise provided in this Fifth Amendment.

Section 4.2 Termination upon Vertex Change-in-Control. CFFT shall have the right, exercisable in its sole discretion, to terminate all of its funding obligations under this Fifth Amendment upon a Change-in-Control of Vertex, subject to CFFT's obligations to fund previously committed amounts in accordance with the provisions of this Fifth Amendment. In the event of any such termination prior to an Interruption (as defined above), the provisions of Section 10.6 shall be terminated and have no further force or effect. For purposes of this Section 4.2, a "Change-in-Control" shall mean that any "person" or "group," as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of Vertex representing more than [***] of the combined voting power of the outstanding securities of Vertex having the right to vote in the election of directors; or (b) all or substantially all the business or assets of Vertex are sold or disposed of, or Vertex or a subsidiary of Vertex combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (i) a transaction solely for the purpose of reincorporating Vertex or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying Vertex's stock; or (ii) a merger or consolidation in which the shareholders of Vertex immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of Vertex or the surviving entity immediately after the merger or consolidation.

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Section 4.3 Publicity. The provisions of Section 6.3 of the Original Agreement shall apply to this Fifth Amendment as if it were being entered into as part of the Original Agreement, as amended. The Parties will agree on the timing and content of a press release relating to this Fifth Amendment.

Section 4.4 Third Party Testing.

Upon receipt of a Testing Request (as defined below) from CFFT, Vertex will supply to an Agreed Lab (as defined below) reasonably adequate quantities of the Lead and/or the Follow-on (as such terms are defined in Section 10.6.1, as revised by this Fifth Amendment), as necessary to enable the Agreed Lab to conduct in vitro testing of the efficacy and potency of either or both of such Compounds [***] (for purposes of this Section 4.4, the "Vertex Assay"). All such testing will be undertaken at the expense of CFFT in addition to any funding otherwise provided hereunder.

An "Agreed Lab" is a commercial testing laboratory unaffiliated with either CFFT or Vertex and reasonably acceptable to both, which (a) specializes in rendering services to the pharmaceutical industry and has nationally recognized expertise in the testing of pharmaceutical compounds; (b) has a superior reputation for integrity in dealing with the proprietary information of others and would be free of any real or apparent conflict of interest in performing the services which are the subject of this Section 4.4; and (c) is bound by the terms of a confidentiality agreement with Vertex which is customary in form and content, which covers the testing contemplated by this Section 4.4, and which permits the Agreed Lab to report directly to CFFT and Vertex the results which it obtains with respect to efficacy and potency of the Lead and/or Follow-on. The Agreed Lab will adhere strictly to testing protocol approved by Vertex and shall be required to report all testing results directly to both CFFT and Vertex. [***].

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A "Testing Request" is a written request relating to the testing of either the Lead or Follow-on, which is delivered by CFFT to Vertex within the [***] period beginning upon receipt by CFFT of notification from Vertex of its identification of such Compound as Development Candidate.

Vertex and CFFT acknowledge that the use of a commercially available assay equivalent to the Vertex Assay for the testing of the Lead and Follow-on may yield results which are less robust than the results obtained by use of the Vertex Assay. The Parties also acknowledge that the transfer of the Vertex Assay to an Agreed Lab may be difficult, and the results less than satisfactory, without a commitment of substantial time and effort by Vertex which, if undertaken, may adversely impact the progress of the Research Program. Therefore, the parties agree that Vertex's responsibility for the testing provided under this Section 4.4 shall be limited as follows: (a) Vertex will cooperate with CFFT in the selection of an Agreed Lab, as may be requested by CFFT, and thereafter will assist in the determination whether commercially available assays conducted by the Agreed Lab are likely to provide satisfactory results; (b) Vertex will provide the Agreed Lab with requisite amounts of each Compound, in connection with Testing Requests from CFFT as provided above, out of any supplies which Vertex may have on hand; (c) Vertex will provide telephone consulting to appropriate representatives of the Agreed Lab concerning applicable assay methodology; (d) if the parties conclude that conventional testing will not yield adequate results, and upon the written request of CFFT rendered with due regard to the [***] to establish an assay based on proprietary protocols from Vertex, Vertex will provide the Vertex Assay to the Agreed Lab sufficiently in advance of any testing provided for in this Section 4.4 to accommodate such testing, under provisions of confidentiality, restricted access and non-use (for other than testing hereunder), and will ensure that appropriate Vertex representatives are

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available by telephone from time to time to answer questions and otherwise assist the Agreed Lab representatives in their efforts to establish the Vertex Assay. Vertex shall in no event be responsible for any failure by the Agreed Lab to establish an effective assay using Vertex's protocols, nor shall any time periods provided herein for action by CFFT be extended by reason of any such failure.

Section 5. Original Agreement Ratified; Certain Expired Provisions Reinstated.

In all other respects, the Original Agreement, as amended, to the extent unexpired, is hereby ratified and confirmed. The following provisions, which expired under the Original Agreement, as amended, as a result of the conclusion of the Original Research Term, are hereby reinstated effective on the Effective Date solely for the purposes and to the extent applicable to the subjects addressed in this Fifth Amendment: 2.4.1, 2.6, 2.7, 2.8, 10.1, 10.4, and Article XIII, and all other provisions that have expired as of the Effective Date, whether set forth in the Original Agreement or any amendment to the Original Agreement, shall have no force or effect as a result of the execution of this Fifth Amendment.

[Signature Page Follows]

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In witness whereof, the Parties hereto have executed this Agreement as of the day and year first above written.

**VERTEX PHARMACEUTICALS,
INCORPORATED**

**CYSTIC FIBROSIS FOUNDATION
THERAPEUTICS, INCORPORATED**

By: /s/ Matthew W. Emmens

By: /s/ Robert J. Beall

Title: Chairman, CEO & President

Title: President & CEO

Date: April 4, 2011

Date: April 4, 2011

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Exhibit 1.3(a)

[***]

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Exhibit 1.3(b)

[***]

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Exhibit 1.3(c)

[***]

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Exhibit 2.1

[***]

22

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Exhibit 2.2(a)

[***]

23

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Exhibit 2.2(b)

[***]

24

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Exhibit 2.2(c)

[***]

25

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Exhibit 2.4

[***]

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Confidential Treatment Requested
Confidential portions of this document have been redacted and have been separately filed with the Commission

EXECUTION COPY

FIFTY NORTHERN AVENUE LLC

AND

VERTEX PHARMACEUTICALS INCORPORATED

LEASE FOR 50 NORTHERN AVENUE (PARCEL A — FAN PIER)
 BOSTON, MASSACHUSETTS

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FIFTY NORTHERN AVENUE LLC

AND

VERTEX PHARMACEUTICALS INCORPORATED

LEASE FOR 50 NORTHERN AVENUE (PARCEL A — FAN PIER)
 BOSTON, MASSACHUSETTS

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VERTEX PHARMACEUTICALS INCORPORATED

**LEASE FOR PARCEL A — FAN PIER
BOSTON, MASSACHUSETTS**

**ARTICLE 1.
BASIC TERMS**

The following terms used in this Lease shall have the meanings set forth below.

- 1.01. Date of Lease:** May 5, 2011
- 1.02. Landlord:** Fifty Northern Avenue LLC, a Delaware limited liability company
- 1.03. Tenant:** Vertex Pharmaceuticals Incorporated, a Massachusetts corporation
- 1.04. Address of Property:** Parcel A, Fan Pier, Boston, MA, subject to the provisions of Section 2.01(c)
- 1.05. Building, Property and Project:** The 15-story building to be constructed by Landlord and containing, upon completion, approximately [***] rentable square feet (the “Building”) in the City of Boston, Massachusetts, located on a parcel of land described in Exhibit 1.05 attached hereto and known as Parcel A, Fan Pier, Boston, Massachusetts (the Building and such parcel of land hereinafter being collectively referred to as the “Property”). The Property is part of a phased development located in the South Boston waterfront area of Boston, Massachusetts, currently consisting of nine (9) lettered parcels to be developed separately with up to nine (9) new buildings, projected to have an aggregate of approximately [***] square feet of gross floor area dedicated to a mixture of office, laboratory, residential, hotel, retail, civic/cultural uses, accessory parking spaces and maritime uses, together with access roads and landscaped open spaces (as such area is improved from time to time, the “Project”)

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- 1.06. Premises:** Approximately [***] rentable square feet, consisting of all of the second through the fifteenth floors of the Building (including a mechanical floor), a portion of the first floor of the Building, a two-story mechanical penthouse in the Building, and a portion of a 3-level below grade structure, all as further described on Exhibit 1.06 (the “Premises”), based on a modified ANSI/BOMA Z65.1- 1996 method of measurement and as conclusively agreed to by the parties as set forth in Section 2.01(e).
- 1.07. Tenant’s Pro Rata Share:** [***]
- 1.08. Term:**
- Initial Term:** The period commencing on the Commencement Date and expiring on the last day of the fifteenth (15th) Lease Year, determined as set forth in the definition of “Lease Year,” below.
- Extension Term:** One (1) additional term of ten (10) years, as further described in, and subject to the provisions of, Section 3.03.
- Lease Year:** The first (1st) Lease Year begins on the first Commencement Date to occur and ends on the last day of the twelfth full calendar month after the Final Commencement Date. Each subsequent Lease Year ends twelve months after the preceding one, provided, however, that the fifteenth (15th) Lease Year shall end on the later to occur of (i) the last day of the twelfth month after the fourteenth (14th) Lease Year or (ii) if the Building B Lease (as defined in Section 2.01(g), below) Final Commencement Date (as defined therein) occurs after the Final Commencement Date hereunder, the expiration date of the initial term of the Building B Lease (meaning and intending that the Building B Lease and this Lease be coterminous). The parties acknowledge that the first (1st) Lease Year and the fifteenth (15th) Lease Year each may consist of more than 12 months.

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business, as opposed to occupying any portion of the Premises for the installation of the FF&E Work, as defined in Section 4 of Exhibit 10.03, or (ii) the Substantial Completion Date (as defined in Section 12.01 of Exhibit 10.03). Pursuant to Section 4.07 of this Lease, the Commencement Date may occur in one or more Phases. The Commencement Date shall be determined separately for each Phase and Rent shall be pro-rated based on the ratio of occupied floors to total floors of the Premises (excluding mechanical floors and penthouses in each case) to reflect Tenant's partial occupancy of the Premises until such time as the Commencement Date occurs with respect to the entire Premises. The Commencement Date upon which the remainder of the Premises is delivered to Tenant shall constitute the "Final Commencement Date".

The "Estimated Commencement Date" shall mean the date that is 30 months from the issuance of the first building permit for any portion of the Building.

1.10. Permitted Uses:

Office Uses and Research Center Uses as defined in and limited by the Development Plan for the Fan Pier Development, Planned Development Area #54 approved by the Boston Redevelopment Authority on November 14, 2001, and adopted by the Boston Zoning Commission on February 27, 2002, effective February 28, 2001, as amended by First Amendment to the Development Plan for the Fan Pier Development, Planned Development Area #54 approved by the Boston Redevelopment Authority on December 20, 2007, and adopted by the Boston Zoning Commission on January 30, 2008, effective January 30, 2008 (collectively, the "Development Plan"), and customary uses accessory to Office Uses and Research Center Uses as permitted under the Development Plan. Use of the mechanical penthouse, mechanical rooms, the mechanical floor, telephone closets, storage areas, and similar accessory areas of the Premises constructed as part of the Base Building Work, as defined in Exhibit 10.03, to the extent each are included within the Premises, shall be further limited to the purposes for which they have been constructed.

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1.11. Broker(s):

CB Richard Ellis — N.E. Partners, LP

1.12. Management Company:

Fallon Management Company LLC
c/o The Fallon Company LLC
One Marina Park Drive
Boston, Massachusetts 02210
Attn: Joseph F. Fallon

1.13. Security Deposit:

[\$***], if, as and when required pursuant to the terms of Article 17.

1.14. Parking Access Devices:

[***], subject to the provisions of Section 2.01(d). [***].

1.15. Base Rent:

Initial Term:

From and after the Commencement Date through the end of the fifth (5th) Lease Year, [***] per annum ([***] per rentable square foot for [***] rentable square feet of the Premises and [***] per rentable square foot for [***] rentable square feet of the Premises designated as storage space on Exhibit 1.06 (the "Storage Space")) [***].

From and after the first (1st) day of the sixth (6th) Lease Year through the end of the tenth (10th) Lease Year, [***] per annum ([***] per rentable square foot for [***] rentable square feet of the Premises and [***] per rentable square foot for the Storage Space).

From and after the first (1st) day of the eleventh (11th) Lease Year through the end of the Initial Term, [***] per annum ([***] per rentable square foot for [***] rentable square feet of the Premises and [***] per rentable square foot for the Storage Space).

Extension Terms:

Base Rent shall be [***] of the Market Rent, as determined pursuant to Section 3.03.

1.16. Additional Rent:

All amounts payable by Tenant under this Lease other than Base Rent, including without limitation:

(i) Tenant's Pro Rata Share of Taxes (Article 5);

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(iii) Tenant's Pro Rata Share of Operating Expenses (Article 8) (see Section 4.02);

(iv) Payment of the parking contract amounts due pursuant to Section 2.01(d).

1.17. Expenses Paid Directly by Tenant: All utilities (except as set forth in Article 6) and services to the Premises.

1.18. Original Address of Landlord for Notices: Fifty Northern Avenue LLC
c/o The Fallon Company LLC
One Marina Park Drive
Boston, Massachusetts 02210
Attn: Joseph F. Fallon

and:

Cornerstone Real Estate Advisers LLC
180 Glastonbury Boulevard, Suite 200
Glastonbury, Connecticut 06033
Attn: Linda Houston

With a copy to:

DLA Piper LLP (US)
33 Arch Street
Boston, MA 02110
Attn: John E. Rattigan, Esquire

With a copy to:

Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103
Attn: James A. McGraw, Esquire

1.19. Original Address of Tenant for Notices: Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, Massachusetts 02139
Attn: Alfred Vaz

With a copy to:

Bowditch & Dewey, LLP
175 Crossing Boulevard
Suite 500

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Framingham, MA 01702
Attn: Paul C. Bauer, Esquire

1.20. Finish Work: All to be designed and constructed by Landlord, pursuant to Tenant's Program, as further set forth in Section 10.03 and Exhibit 10.03.

1.21. Finish Work Allowance: [***] (calculated on the basis of [***] per rentable square foot times [***] rentable square feet plus [***], subject to adjustment pursuant to Article 18).

1.22. Exhibits:

Exhibit 1.05:	Property
Exhibit 1.06:	Premises
Exhibit 2.01(e):	Measurement Standard
Exhibit 2.01(f):	Permitted Encumbrances
Exhibit 2.01(g):	Schedule of Reimbursable Expenditures
Exhibit 3.01(a):	Form of Confirmation of Commencement Date
Exhibit 3.01(b):	Tenant's Existing Lease Terms

Exhibit 3.03(b)	Parcels B and E Description
Exhibit 9.01:	Rules and Regulations
Exhibit 9.04:	Environmental Reports
Exhibit 9.05	Retail Signage
Exhibit 10.03:	Work Letter
Exhibit 10.05(b):	Construction Documents
Exhibit 10.05(c):	Tenant Work Insurance Schedule
Exhibit 10.06:	Items That Must Remain On the Premises
Exhibit 15.01:	Form of Lender's Subordination, Nondisturbance and Attornment Agreement
Exhibit 17.01:	Form of Letter of Credit
Exhibit 18.01(f):	Alternate Economic Benefit Standards

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**ARTICLE 2.
PREMISES AND APPURTENANT RIGHTS**

2.01. Lease of Premises; Appurtenant Rights. Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term. Tenant shall be permitted access to the Building, the Premises and the Parking Garage on a 24 hour per day, 7 day per week basis, subject to the Rules and Regulations, Force Majeure (as hereinafter defined) and Landlord's reasonable security measures.

(a) **Exclusions.** The Premises exclude Common Areas and Facilities of the Property, as defined in Section 2.01(b), and exterior walls, the roof, the stairways and stairwells to the Parking Garage, the portion of the Building identified as "future retail tenants" on Exhibit 1.06, retail loading dock, and pipes, ducts, conduits, wires and appurtenant fixtures located within the Premises but serving other parts of the Property (exclusively or in common). If the Premises include less than the entire rentable area of any floor from time to time, then the Premises also exclude the common corridors, lobbies, elevator lobby, and lavatories located on such floor.

(b) **Appurtenant Rights.** Tenant shall have, as appurtenant to the Premises, rights, in common with others (subject to the Rules and Regulations), to use the Common Areas and Facilities of the Property, to contracts for parking set out in Section 2.01(d), to the signage rights as set out in Section 9.05, to use the rooftop as set out in Article 11, and the exclusive right to access and egress from the Pedestrian Bridge (as set forth in Section 16.13, below). As used herein, "Common Areas and Facilities" is defined as (i) the common stairways and access ways, lobbies, hallways, entrances, stairs, elevators and any passageways thereto, other areas or facilities within the Building for the general use, convenience and benefit of Tenant and other tenants and occupants of the Building and the common pipes, ducts, conduits, wires, telephone and electrical closets (except on floors leased entirely by Tenant), and appurtenant equipment serving the Premises; (ii) the common exterior walkways located on the Property and associated with the Building, and (iii) any other common areas and facilities from time to time designated as such by Landlord (provided that no areas initially designated as part of the Premises on Exhibit 1.06 may be designated as a common area).

(c) **Reservations.** In addition to other rights reserved herein or by law, Landlord reserves the right from time to time, without unreasonable (except in emergency) interference with Tenant's rights hereunder, including without limitation Tenant's use of and access to the Premises: (i) to make additions to or reconstructions of the Building and to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises, the Building, or elsewhere in the Property, provided, however, such installation, reconstruction or relocation shall not materially reduce the usable floor area of the Premises (other than a temporary reduction to accommodate installation, repair,

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replacement, maintenance and relocation) without the consent of Tenant, which may be granted or withheld in Tenant's sole discretion and if granted, the Base Rent and Tenant's Pro Rata Share shall be proportionately reduced; (ii) to alter or relocate any portion of the Common Areas and Facilities, including the lobbies and entrances (provided that (A) Tenant's rights under this Lease are not adversely affected in any material respect and (B) with respect to any relocation of the lobby or entrance to the Building or the Premises, other than a temporary relocation to accommodate required work, any such relocation shall be subject to Tenant written approval, in Tenant's sole discretion), (iii) to grant easements and other rights with respect to the Property, provided such grants do not materially and adversely affect Tenant's rights under this Lease, and (iv) to change the street address of the Property prior to the date that Landlord commences the Finish Work (and, thereafter, with Tenant's written consent, not to be unreasonably withheld, conditioned or delayed). Installations, replacements and relocations within the Premises referred to in clause (i) shall be located as far as practicable in the core areas of the Building, above ceiling surfaces, below floor surfaces or within perimeter walls of the Premises and Landlord shall minimize the disruption to the Tenant to the degree reasonably practicable.

For the purposes of separately owning and/or financing the portions of the Building comprising retail space and/or the Parking Garage below the Building from the remainder of the Building, the Property may be subdivided into separate lots, submitted to a condominium regime or divided into separate leasehold lots by ground leases to permit such separate ownership and financing of portions of the Property, provided that (a) Tenant's rights and obligations under this Lease shall not be diminished or negatively affected in anything more than a de minimis manner, (b) there shall not be material interference with (I) access to the Premises from Northern Avenue, (II) Tenant's ability to otherwise use the number of parking spaces as provided under Section 2.01(d) below, or (III) the ability to use and occupy the Premises for the Permitted Uses, and (c) if the Property is submitted to a condominium regime, the entire Premises shall be contained within a single condominium unit. In the event the Property, as originally defined herein, is subdivided, then the term "Property" shall be deemed to refer only to the portions of the parcel or parcels of land or air rights on which the Building is located and, at the request of either Landlord or Tenant, Exhibit 1.05 and any Notice of Lease recorded pursuant Section 16.06 shall be amended accordingly. In the

event the Property is submitted to a condominium regime, the Property shall be deemed to be the condominium unit in which the Premises are located (but any such condominium unit shall have the appurtenant rights to which Tenant expressly is entitled under this Lease) and, at the request of either Landlord or Tenant, Exhibit 1.05 and any Notice of Lease recorded pursuant Section 16.06 shall be amended accordingly. Tenant agrees to enter into any instruments reasonably requested by Landlord in connection with the foregoing, so long as the same are not inconsistent with the rights of Tenant under this Lease and are otherwise reasonably acceptable to Tenant. Without limiting the generality of the foregoing, such instruments may include a subordination of this Lease to a ground lease or documents creating a condominium on the Property, provided that in the case of a condominium Tenant's rights under this Lease are not

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materially affected and that in the case of a ground lease Tenant shall receive a non-disturbance agreement reasonably acceptable to Tenant from any ground lessor having a priority interest over this Lease. If the Property is subject to a condominium regime under this paragraph, then Landlord shall not exercise its right to vote as a member of the owner's association of the condominium in a manner that materially and adversely affects Tenant's rights under this Lease without Tenant's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, and, so long as Tenant is not in default of any of its payment obligations under this Lease, Landlord shall promptly pay all assessments against the condominium unit containing the Premises (which assessments shall be includable within Operating Costs) within the period required under the condominium regime so that no liens for unpaid assessments attach to the Premises. In the event of any failure by Landlord to pay condominium assessments for any reason (other than Tenant's failure to pay Operating Costs) such that the condominium association commences an enforcement process against the condominium unit containing the Premises, Tenant shall have the right to pay such assessments directly (and shall provide evidence of such payments to Landlord) and Tenant may offset such expenditures against the next payment or payments of Additional Rent under this Lease. Following any such event, to the extent permissible under law, the condominium documents shall either be revised to provide for provision of copies of any notice of default to Tenant or Landlord shall otherwise require the condominium association to copy Tenant as a notice party in addition to Landlord, and thereafter copies of invoices for condominium assessments or other material notices that Landlord receives from the condominium association shall be delivered to Tenant and Landlord. Landlord shall promptly provide Tenant with copies of any notice of nonpayment of condominium assessments (provided that Landlord shall not be in default of this sentence if such amounts are paid by Landlord prior to the exercise of any remedies against the condominium unit containing the Premises).

(d) Parking. During the Term, Landlord shall cause the Parking Garage operator to enter into contracts with Tenant for the number of parking access devices set forth in Section 1.14, permitting the parking of such number of vehicles in unreserved parking spaces in the Parking Garage. In furtherance of such rights, Landlord has entered into and recorded that certain Garage Reciprocal Easement Agreement (the "Parking Agreement") described on Exhibit 2.01(f). Landlord covenants that it shall not grant any other tenant in the Building the right to park exclusively in the portion of the Parking Garage located beneath the Building unless such rights affect a de minimis number of parking spaces for the benefit of the retail tenants in the Building and Landlord offers comparable rights to Tenant. The monthly rate to be paid by Tenant and its employees under such contracts shall be the prevailing monthly parking rate charged by the Parking Garage operator at the Parking Garage (or surface parking, as applicable), which parking rate may change at any time and from time to time, as determined by such Parking Garage operator, [***]. Tenant shall have the right to provide Landlord with recommendations from time to time regarding the exercise of the Landlord's rights to approve the parking garage operator under the Parking Agreement, and Landlord agrees that it shall not

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vote such rights in favor of employing any particular parking garage operator to which Tenant has bona fide, good faith objections as reasonably and previously described to Landlord in writing (Tenant acknowledging that the Parking Garage requires a parking operator and that Tenant shall reasonably cooperate with Landlord to identify viable recommended candidates for the parking operator position). [***]

[***]

"Parking Garage" shall collectively mean (i) the three (3) level subterranean parking garage located below the Building and constructed as part of the Base Building Work, and (ii) such other parking garages as may be constructed from time to time within the Project and subsequently made available to the Building under reciprocal easement agreements, operating agreements or other such agreements now or hereafter in effect. Payments under the parking contracts shall constitute Additional Rent for purposes of this Lease. Payments under this Section shall be made directly to the Parking Garage or applicable parking operator in accordance with the provisions of the parking contracts. Without limiting Landlord's other remedies under this Lease, if Tenant shall fail to pay the amounts due under any parking contract for more than ten (10) days after notice of such failure given by Landlord or the applicable parking operator, or if Tenant shall cease to contract for any access device for more than 60 consecutive days, or if Tenant relinquishes in any manner any parking contract(s), then Landlord may permanently terminate Tenant's rights to the applicable number of access devices immediately upon notice by Landlord to Tenant (such terminations, if any, to be applied first to parking contracts for surface parking hereunder and then to parking contracts in the Parking Garage). Tenant may irrevocably relinquish any such parking contract(s) on 30 days' prior written notice to Landlord (in which event the number of parking access devices specified in Section 1.14 shall be deemed to have been reduced accordingly). If Landlord shall fail to provide any or all of the parking spaces for Tenant parking hereunder other than due to (i) temporary interruptions of not more than one (1) business day, (ii) the operation of the South Boston Parking Freeze Regulations as set forth in the following paragraph or (iii) Tenant's default as specified in the preceding sentence, then Tenant shall not be required to make payments under the parking contracts for such parking spaces during the period in which such parking spaces are unavailable. The Parking Garage operator's failure to provide the Parking Spaces to Tenant, other than in the event of a temporary closure of the Parking Garage due to casualty, governmental action or other cause beyond Landlord's and such Parking Garage operator's reasonable control, or as otherwise permitted hereunder, shall constitute a default by Landlord hereunder, subject to applicable notice and cure periods.

Tenant acknowledges that the Parking Garage and any such surface parking areas are subject to the provisions of the South Boston Parking Freeze Regulations and to one or more Parking Freeze Permits issued thereunder by the City of Boston Air Pollution Control Commission, which regulations

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available weekdays between 7:30 a.m. and 9:30 a.m. Tenant acknowledges that the administration of such requirement may from time to time limit the ability of certain of the parking access device holders to enter the Parking Garage or the surface parking areas between 7:30 a.m. and 9:30 a.m. (the "Limited Parking Period"). [***].

Tenant's rights under this Section 2.01(d) shall not be assigned or sublicensed except in connection with an assignment or sublease permitted under Article 13.

(e) Measurement. The parties acknowledge and agree that the square footages set forth herein have been conclusively determined pursuant to a modified ANSI/BOMA Z65.1-1996 method of measurement for useable space in office buildings and consistent as set forth on Exhibit 2.01(e) attached (the "Measurement Standard").

(f) Matters to Which Lease is Subject. This Lease, and Tenant's rights hereunder, are subject and subordinate to the matters listed on Exhibit 2.01(f) and all Legal Requirements, including, without limitation: (i) that certain Declaration of Covenants, Easements and Restrictions by and between Fan Pier Development LLC, a Delaware limited liability company, and Fan Pier Owners Corporation, a Massachusetts corporation ("FPOC"), dated January 31, 2008 and recorded with the Suffolk County Registry of Deeds in Book 43059, Page 1, as amended by that certain First Amendment dated as of the date hereof, to be recorded in the Suffolk County Registry of Deeds, as the same may be further amended from time to time (the "Declaration"), and any rules or regulations promulgated by or on behalf of the "Developer" or "FPOC" under the Declaration, whether recorded or unrecorded, to the extent of and in accordance with the provisions of the next succeeding sentence, (ii) Consolidated Written Determination dated June 28, 2002 (final decision dated November 21, 2002) issued by the Massachusetts Department of Environmental Protection ("DEP") for the Fan Pier Project, as extended by letter from DEP dated April 18, 2007, and the Chapter 91 license for the Building to be issued by DEP, and Chapter 91 License No. 11907 issued by DEP for all of the public realm areas of the Fan Pier Project, recorded with the Suffolk Registry of Deeds in Book 42568, Page 89; (iii) the Development Plan, and (iv) all agreements with the BRA or the City of Boston relating to the Building or the Project (collectively, and as may be amended or supplemented from time to time, the "Project Documents," and each individually a "Project Document"). There are no existing rules or regulations promulgated under the Declaration as of the date of this Lease and Landlord shall not promulgate such rules or regulations nor enter into an amendment to the Declaration nor shall Landlord enter into any new Project Document or any amendment, termination, cancellation, revision or modification to an existing Project Document that materially, adversely affects Tenant's rights or privileges under this Lease without the written consent of Tenant, which consent may be granted or withheld in Tenant's sole discretion. Landlord shall not be liable to Tenant for any injury, loss, costs, expenses, liabilities, claims or damage (including attorneys' fees and disbursements) to any person or property arising from or in any related to the proper exercise of the rights of the Developer or FPOC under the Declaration. Tenant shall

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cooperate with Landlord as reasonably requested from time to time in order to permit Landlord or its affiliates to meet reporting requirements under the Project Documents, including without limitation under the Transportation Access Plan Agreement for the Project or the Building, as they may be amended.

(g) Lease Contingency. Simultaneously with the execution of this Lease, Tenant and an affiliate of Landlord ("Building B Landlord") are entering into a lease for a building to be constructed on Parcel B of the Project (such building to be referred to as "Building B", as such Parcel B is more particularly described on Exhibit 3.03(b), attached, and any such lease of Building B to be referred to as the "Building B Lease"). This Lease and the Building B Lease (together, the "Leases") are each contingent upon the issuance of an "approval letter" by the Federal Drug Administration (the "FDA") of Tenant's new drug application for telaprevir as a so-called "listed drug", as such terms are defined in 21 C.F.R 314.3 (the "Telaprevir Approval"). If the Telaprevir Approval is not issued by the FDA, or the FDA issues a written refusal to approve telaprevir, on or before December 31, 2011, then this Lease shall terminate and be of no further force and effect as of December 31, 2011 except for the obligations that expressly survive the termination hereof.

[***]

[***]

ARTICLE 3. LEASE TERM

3.01. Lease Term; Delay in Commencement.

(a) The Initial Term of this Lease is set forth in Article 1. Following each Commencement Date, Landlord and Tenant shall enter into a recordable instrument confirming the occurrence of the applicable Commencement Date in the form of Exhibit 3.01(a), attached (provided, however, that the failure to enter into such instrument shall not be deemed to delay the occurrence of the applicable Commencement Date).

(b) Landlord shall endeavor in good faith to Substantially Complete (as defined in Exhibit 10.03) the Landlord Work (as defined in Exhibit 10.03) such that the Final Commencement Date will occur on or before the Estimated Commencement Date, subject to extension for Force Majeure and Tenant Delays (as defined in Exhibit 10.03). If the Final Commencement Date has not occurred by the Estimated Commencement Date, as extended by Tenant Delay (but not for Force Majeure), then, as Tenant's sole remedy at law or equity (except as provided in Sections 3.01(c), below), Tenant shall

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in proportion to the respective rentable square feet of the premises under such leases. [***].

(c) Tenant shall have the right to terminate this Lease in accordance with the provisions of this Subsection 3.01(c) if any of the following milestones are not met: (i) if Landlord has not closed a construction loan to finance construction of the Building on or before the later of (A) the date Tenant delivers to Landlord the Security Deposit if any to the extent required pursuant to Section 17.01, or (B) the date that is ninety (90) days following the Telaprevir Approval for any reason (including without limitation Force Majeure) other than Tenant Delays; (ii) a building permit is not issued for the Building on or before the later of (A) the date Tenant delivers to Landlord the Security Deposit if and to the extent required pursuant to Section 17.01, or (B) the date that is ninety (90) days following the Telaprevir Approval for any reason (including without limitation Force Majeure) other than Tenant Delays (clauses (i) and (ii) above, the "Building A Initial Construction Milestones"); or (iii) the Building B Landlord does not meet all the Building B Initial Construction Milestones, as defined in the Building B Lease. In the event that any of the foregoing milestones are not met, then Tenant may terminate this Lease upon thirty (30) days' prior written notice (provided that such termination will not take effect if the construction loan closing, issuance of a building permit and compliance with the Building B Initial Construction Milestones', to the extent any such milestone had not been met prior to the Tenant's termination notice hereunder, occurs within such 30 day period), as Tenant's sole remedy at law or equity. In the event Tenant terminates this Lease pursuant to the provisions of this Subsection 3.01(c), Tenant shall terminate the Building B Lease and that certain lease (the "Building F Lease") by and between Tenant and an affiliate of Landlord dated as of the date hereof with respect to the building known as One Marina Park Drive and located on Parcel F (as described in Exhibit 3.03(b)). Notwithstanding anything to the contrary in this Lease, Landlord shall have no obligation to apply for a building permit or to commence construction of the Landlord Work prior to the date of Telaprevir Approval. To advance the Final Completion Date, Tenant may elect by written notice (the "Acceleration Notice") to Landlord to cause Landlord to apply for the building permit prior to Telaprevir Approval by agreeing in such notice to include 100% of the cost of the building permit for the Building as a Reimbursable Expenditure and increase the cap on Reimbursable Expenditures by an equivalent amount; provided, however, that such notice shall only have force and effect if Tenant simultaneously gives an Acceleration Notice to the landlord under the Building B Lease pursuant to Section 3.01(c) of the Building B Lease.

(d) Intentionally Omitted.

(e) The foregoing remedies are Tenant's sole remedies in the event of a delay in the construction of the Landlord Work, except that if construction of the Landlord Work is materially abandoned for a period of (x) at least ninety (90) consecutive days or (y) at least ninety (90) days in any one-hundred twenty (120) day period, in each case after excavation for the Building foundation commences (for

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reasons other than Tenant Delays or Force Majeure), then Landlord shall be deemed to be in default under this Lease subject to Landlord's right to notice and cure under Section 16.02 of this Lease, with a copy of any such default notice simultaneously being delivered to Landlord's construction lender (the cessation of such abandonment within the period required by Section 16.02 being deemed to be a cure of such default). Tenant's sole remedies at law or equity for any default pursuant to the immediately preceding sentence beyond applicable notice and cure periods shall be (x) termination of this Lease by thirty (30) days' prior written notice to Landlord if such default first arises prior to the time that either Landlord first commences the erection of structural steel for the Building or the Building B Landlord first commences the erection of structural steel for Building B, and/or (y) a claim for actual, direct damages.

3.02. Hold Over. If Tenant (or anyone claiming through Tenant) shall remain in occupancy of the Premises or any part thereof after the expiration or early termination of the Term without a written agreement therefor executed and delivered by Landlord, then, without limiting Landlord's other rights and remedies, the person remaining in possession shall be deemed a tenant at sufferance, and Tenant shall thereafter pay monthly rent (pro rated for such portion of any partial month as Tenant shall remain in possession) at a rate equal to the higher of 125% for the first 30 days, and 150% thereafter, of (x) the Base Rent rate applicable during the last monthly period immediately preceding such expiration or termination or (y) the fair market rent for Base Rent (which shall be determined on a so-called "triple net" basis), in each case with all Additional Rent also payable as provided in this Lease. The foregoing provisions shall not serve as permission for Tenant or anyone claiming by, through, or under Tenant to hold-over, nor serve to extend the Term (although Tenant shall remain bound to comply with all provisions of this Lease until Tenant vacates the Premises) and Landlord shall have the right at any time after the expiration or earlier termination of this Lease to enter and possess the Premises and remove all property and persons therefrom or to require Tenant to surrender possession of the Premises as provided in this Lease upon the expiration or earlier termination of the Term. If Tenant fails to surrender the Premises upon the expiration or termination of this Lease, Tenant agrees to indemnify, defend and hold harmless Landlord from all costs, loss, expense or liability, including without limitation, claims made by any succeeding tenant and real estate brokers' claims and attorneys' fees. No acceptance by Landlord of any Rent during or for any period following the expiration or termination of this Lease shall operate or be construed as an extension or renewal of this Lease. Should Tenant remain in the Premises on a month-to-month basis with Landlord's prior and express written approval, such month-to-month tenancy may be cancelled by either party with thirty (30) days' prior written notice or such lesser time period as may be permitted by Law. In any case, Tenant shall be liable to Landlord for all damages actually resulting from any failure by Tenant to vacate the Premises or any portion thereof when required hereunder. The provisions of this Section 3.02 shall survive the termination or earlier expiration of this Lease.

3.03. Right to Extend.

(a) First Extension Term. This Lease may be extended for one (1) additional ten-year period (the “First Extension Term”) by unconditional written notice from Tenant to Landlord delivered at least twenty (20) months before the end of the Initial Term, time being of the essence. If Tenant does not timely exercise this option, or if on the date of such notice or at the beginning of the First Extension Term an Event of Default is then continuing, then Tenant’s right to extend the Term pursuant to this Section 3.03(a) shall irrevocably lapse, Tenant shall have no further right to extend, and this Lease shall expire at the end of the Initial Term.

(b) Alternative Extension Term. Simultaneously herewith, Tenant has entered into an agreement (the “Parcel E Agreement”) with an affiliate of Landlord for certain rights to lease a building that is contemplated for construction on Parcel E of the Project (such building to be referred to as “Building E”), as such Parcel E is more particularly described on Exhibit 3.03(b), attached. If Tenant enters into a lease for Building E pursuant to the Parcel E Agreement (such lease of Building E to be referred to as the “Building E Lease”), then Tenant shall have the following additional extension option with respect to the Building: (a) if Tenant’s right to extend the term of the Building E Lease in compliance with the terms of the Parcel E Agreement has expired without exercise or has been waived, then Tenant may elect to extend the Term of this Lease for such period as will result in the Term of this Lease being coterminous with the term of the Building E Lease, or (b) if Tenant shall have exercised the First Extension Option, and Tenant has extended the term of the Building E Lease in compliance with its terms for a period of ten (10) years, then Tenant may elect to extend the First Extension Term of this Lease for such period as will result in the Term of this Lease being coterminous with the term of the Building E Lease, as so extended, in each case by unconditional written notice from Tenant delivered to Landlord at least twenty (20) months before the end of the Initial Term (with respect to option (a)) or the First Extension Term (with respect to option (b)), time being of the essence (either such extended term being referred to as the “Alternative Extension Term”). If Tenant does not timely exercise the options set forth in this paragraph, or if on the date of such notice or at the beginning of the Alternative Extension Term an Event of Default is then continuing, Tenant’s right to extend pursuant to this Section 3.03(b) shall irrevocably lapse, Tenant shall have no further right to extend, and this Lease shall expire at the end of the Initial Term or First Extension Term, as applicable.

All references to the Term shall mean the Initial Term as it may be extended by the First Extension Term and/or the Alternative Extension Term, if any (each, an “Extension Term”). Each Extension Term shall be on all the same terms and conditions applied to the Initial Term (including without limitation the obligation to pay Additional Rent) except that the Base Rent for each Extension Term shall be as set forth below and Tenant shall have no further right to extend the term of this Lease except as expressly set forth in subparagraph (b), above.

(c) Market Rent. If Tenant gives Landlord timely notice of its intention to extend the then-current Term of this Lease, whether for the First Extension Term or

the Alternative Extension Term, then at least nineteen (19) months before the end of the then-scheduled expiration Term, Landlord shall give Tenant written notice of the then applicable market rent for Tenant’s space, based on similar space in similar Class A office and laboratory buildings in the Seaport District or the Longwood Medical Area (excluding owner-occupied space) of the City of Boston, Massachusetts (such buildings, the “Comparable Properties,” and such rent, the “Market Rent”), taking into account all of the factors that a landlord and tenant would consider in negotiating an arms-length rent for a lease (including without limitation whether or not a brokerage fee is payable in connection therewith). Base Rent for any Extension Term shall be established as [***] of the Market Rent. Within thirty (30) days after Tenant receives such notice, Tenant shall notify Landlord of its agreement with or objection to Landlord’s determination of the Market Rent, whereupon, if the Tenant objects to such determination, the Market Rent shall be determined in the manner set forth below. If Tenant does not notify Landlord within such thirty (30) day period of Tenant’s agreement with or objection to Landlord’s determination of the Market Rent, then the Market Rent for the applicable Extension Period shall be deemed to be Landlord’s determination of the Market Rent as set forth in the notice from Landlord described in this subsection and Tenant shall be irrevocably bound to lease the Premises for the applicable Extension Term. In the event Tenant’s notice objects to such determination, from the date Tenant provides such notice through the date that is seventeen (17) months before the end of the then scheduled expiration Term (the “Decision Date”), Landlord and Tenant shall negotiate in an attempt to reach agreement on the Base Rent for the applicable Extension Period. Prior to the Decision Date, Tenant shall send a notice rescinding its exercise of the right to extend or requesting arbitration pursuant to Section 3.03(d) below (a “Decision Notice”). If Tenant fails to send such Decision Notice prior to the Decision Date or sends a notice requesting arbitration pursuant to Section 3.03(d) below, then Tenant shall be irrevocably bound to lease the Premises for the applicable Extension Term and the Market Rent for such Extension Term shall be determined by arbitration in the manner set forth in Section 3.03(d).

(d) Arbitration of Market Rent. If Tenant notifies Landlord of Tenant’s objection to Landlord’s determination of Market Rent and sends a Decision Notice requesting arbitration under the preceding subsection, such Decision Notice shall also set forth a request for arbitration and Tenant’s appointment of an MAI appraiser having at least ten (10) years’ experience in the Class A office and laboratory leasing market in the Seaport District or the Longwood Medical Area of the City of Boston, Massachusetts, and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years (an “Arbitrator”). Within five (5) days thereafter, Landlord shall by notice to Tenant appoint a second Arbitrator having such experience. Each Arbitrator shall be advised to determine the Market Rent for the applicable Extension Term within thirty (30) days after Landlord’s appointment of the second Arbitrator. On or before the expiration of such thirty-(30)-day period, the two Arbitrators shall confer to compare their respective determinations of the Market Rent. If the difference between the amounts so determined by the two Arbitrators is less than or equal to ten percent

(10%) of the lower of said amounts, then the final determination of the Market Rent shall be equal to the average of said amounts. If such difference between said amounts is greater than ten percent (10%), then the two Arbitrators shall have ten (10) days thereafter to appoint a third Arbitrator (the "Third Arbitrator"), who shall be instructed to determine the Market Rent for the applicable Extension Term within ten (10) days after its appointment by selecting one of the amounts determined by the other two Arbitrators. Each party shall bear the cost of the Arbitrator selected by such party. The cost for the Third Arbitrator, if any, shall be shared equally by Landlord and Tenant. Failure of the Arbitrators, singly or collectively, to complete this process within the time frame set forth (i) shall not terminate the Tenant's exercise of the applicable Extension Term, or (ii) cause the arbitration process to end; the parties shall thereafter continue to work in good faith to conclude the arbitration process.

ARTICLE 4. RENT

4.01. Base Rent. On the Commencement Date and thereafter on the first day of each month during the Term, Tenant shall pay Landlord the monthly installment of Base Rent in the manner and as further provided in Section 4.05, below. If the Commencement Date occurs in Phases, then Tenant shall be entitled to a credit against Base Rent due for the period (the "Early Access Period") beginning with the first Commencement Date to occur and ending on the day immediately preceding the Final Commencement Date in the amount of any Phasing Premium actually paid by Tenant on account of Finish Work Changes for Phasing under the Work Letter (provided, however, that no such credit shall be due to Tenant from and after the Final Commencement Date, and in no event shall such credit be deemed to exceed the total Base Rent due with respect to the Early Access Period).

4.02. Additional Rent.

(a) General. "Additional Rent" has the meaning set forth in Section 1.16. "Rent" means Base Rent and Additional Rent. Landlord shall estimate in advance (i) all Taxes under Article 5, (ii) all utility costs (unless separately metered to or separately contracted for by Tenant) under Article 6, (iii) all insurance premiums to be paid by Landlord under Article 7, and (iv) all Operating Expenses under Section 8.01 (individually all such items in clauses (i) through (iv) being "Operating Costs" and collectively, "Total Operating Costs") and, commencing on the Commencement Date Tenant shall pay one-twelfth of Tenant's Pro Rata Share of such estimated Total Operating Costs monthly in advance together with Base Rent. Landlord shall provide Tenant with such estimate on or before the Commencement Date and on or before each subsequent December 1, for the next ensuing calendar year, during the term of the Lease. Landlord may adjust its estimates of Total Operating Costs at any time based upon its experience and reasonable anticipation of costs. Such adjustments shall be effective as of the next Rent payment date after notice to Tenant. On or before each December 1 following the Commencement Date, Landlord shall provide Tenant with a reasonably detailed statement of the Total

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Operating Costs paid or incurred by Landlord during the then-current fiscal year (including an estimate on an accrual basis for the period, if any, of such fiscal year following December 1) and Tenant's Pro Rata Share of such expenses and shall provide Tenant with a final statement within 60 days after the end of each such fiscal year of the Property during the Term (Tenant acknowledging that any Operating Costs on account of the Declaration shall be reconciled separately following Landlord's receipt of annual accountings thereunder during the term and need not be provided within such 60 day period, but Landlord shall endeavor to provide Tenant with a reconciliation statement for such charges as soon as reasonably practicable following receipt of the annual statement, or any permitted subsequent billing or adjustment, under the Declaration). Within the next thirty (30) days following delivery of such statements, Tenant shall pay Landlord any underpayment, or Landlord shall credit against Additional Rent next due any overpayment, of Tenant's Pro Rata Share of such Total Operating Costs. If the Term expires or this Lease is terminated as of a date other than the last day of a fiscal year, Tenant's payment of Additional Rent pursuant to this Section 4.02(a) for such partial fiscal year shall be based on Landlord's best estimate of the items otherwise includable in Total Operating Costs and shall be made on or before the later of (a) thirty (30) days after Landlord delivers such estimate to Tenant or (b) the last day of the Term, with an appropriate payment or refund to be made upon Tenant's receipt of Landlord's statement of Total Operating Costs for such fiscal year. This Section 4.02(a) shall survive expiration or earlier termination of the Term.

This Lease requires Tenant to pay directly to suppliers, vendors, carriers, contractors, etc., certain insurance premiums, utility costs, personal property taxes, maintenance and repair costs and other expenses. If Landlord pays any of these amounts in accordance with this Lease, Tenant shall reimburse such costs in full upon demand with the next monthly Rent payment. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due on or before the date for the next monthly Rent payment. In no event shall Landlord's failure to demand payment of Additional Rent be deemed a waiver of Landlord's right to such payment.

(b) Allocation of Certain Operating Costs. If at any time during the Term, Landlord provides services only with respect to particular portions of the Building or incurs other Operating Costs allocable to particular portions of the Building, then such Operating Costs shall be charged entirely to those tenants, including Tenant, if applicable, of such portions, notwithstanding the provisions hereof referring to Tenant's Pro Rata Share. In furtherance of and not in limitation of the foregoing, if it is feasible to differentiate between Taxes allocable to (i) the retail portion of the Building and (ii) the Parking Garage, on the one hand, and Taxes allocable to the remainder of the Building, on the other hand, based on the records of the City of Boston assessors' office, then Landlord shall allocate such Taxes accordingly such that the retail tenants shall pay 100% of the Taxes allocable to retail space, the Parking Garage owner shall pay 100% of the Taxes allocable to the Parking Garage, and Tenant shall pay 100% of the Taxes allocable to the remainder of the Building. Landlord acknowledges that it shall use commercially reasonable efforts to have the

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retail portion of the Building and the Parking Garage assessed separately from the remainder of the Building for the purposes of facilitating the allocation set forth in the immediately preceding sentence (provided that nothing in this sentence shall require Landlord to subject the Building to a condominium or subdivision).

4.03. Late Charge. Tenant acknowledges that if it pays Rent late, Landlord shall incur unanticipated costs, which shall be extremely difficult to ascertain exactly. Such costs include processing and accounting charges, and late charges that may be imposed on Landlord by any mortgage on the Property. Accordingly, if Landlord does not receive any Rent payment within five (5) days following its due date, Tenant shall pay Landlord a late charge equal to five (5%) percent of the overdue amount. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord shall incur by reason of Tenant's payment default. Payment of the late charge shall not cure Tenant's payment default or prevent Landlord from exercising other rights and remedies. No late charges under this Section 4.03 shall accrue until Landlord provides notice of such late payment to Tenant and five (5) days elapse from such notice without Tenant having made such payment; provided, however, that Landlord shall not be required to give such notice more than two times in any 12-month period.

4.04. Interest. Any late Rent shall bear interest from the date due until paid at the annual rate of the Bank of America (or its successor) prime rate of interest plus four percent (4%) per annum (the "Default Rate") except to the extent such interest would cause the total interest to be in excess of that legally permitted. Payment of interest shall not cure Tenant's payment default or prevent Landlord from exercising other rights and remedies. No interest under this Section 4.04 shall accrue until Landlord provides notice of such late payment to Tenant and five (5) days elapse from such notice without Tenant having made such payment; provided, however, that Landlord shall not be required to give such notice more than one time in any 12-month period.

4.05. Method of Payment. Tenant shall pay the Base Rent to Landlord in advance in equal monthly installments by the first of each calendar month during the Term and the monthly installment of Tenant's Pro Rata Share of Total Operating Costs as provided in Section 4.02, without offset, deduction or prior demand, except as otherwise expressly set forth herein. Tenant shall make a ratable payment of Base Rent and Additional Rent for any period of less than a month at the beginning or end of the Term. All payments of Base Rent, Additional Rent and other sums due shall be paid, without demand, set-off or other deduction, except as otherwise expressly set forth herein, in current U.S. exchange by check drawn on a clearinghouse bank at the Original Address of Landlord or such other place as Landlord may from time to time direct. Tenant acknowledges that the initial monthly periodic payments under the Lease, including without limitation Base Rent, Taxes and Operating Expenses, will all be made by electronic fund transfer pursuant to wire instructions to be provided by Landlord unless and until otherwise directed by Landlord.

Without limiting the foregoing, except as expressly provided in the immediately following sentence, Tenant's obligation to pay Rent shall be absolute, unconditional, and independent of any Landlord covenants and shall not be discharged or otherwise affected

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by any law or regulation now or hereafter applicable to the Premises, or any other restriction on Tenant's use, or, except as expressly provided herein, any casualty or taking, or any failure by Landlord to perform or other occurrence; and Tenant waives all rights now or hereafter existing to quit or surrender this Lease or the Premises or any part thereof, or to assert any counterclaim or defense in any action seeking to recover Rent (unless such counterclaim or defense would be lost by Tenant if not raised in such proceeding). Notwithstanding the foregoing to the contrary, nothing in this paragraph shall be deemed to limit Tenant's express right to an abatement of Rent or to terminate the Lease, as applicable, on the terms and conditions set forth in Sections 3.01(c), 3.01(e), 6.01, 10.03(c), and 15.02 and Article 12 of this Lease. Subject to the provisions of this Lease, however, Tenant shall have the right to seek judgments for direct money damages occasioned by Landlord's breach of its Lease covenants (but may not set-off any such judgment against any Rent or other amount owing hereunder).

It is intended that Base Rent payable hereunder shall be a net return to Landlord throughout the term of this lease, as it may be extended (the "Term"), free of expense, charge, offset, diminution or other deduction whatsoever (except as expressly provided herein) on account of the Premises (excepting Landlord's financing expenses, federal and state income taxes of general application, and those expenses that this Lease expressly makes the responsibility of Landlord), and all provisions hereof shall be construed in light of such intent.

4.06. Audit. Landlord shall keep books and records regarding Total Operating Costs. All records shall be retained for at least three (3) years. At the request of Tenant ("Tenant's Audit Notice") given within one hundred eighty (180) days after Landlord delivers Landlord's statement of Total Operating Costs with respect to any fiscal year during the Term, Tenant (at Tenant's expense) shall have the right to examine Landlord's books and records applicable to Total Operating Costs for such fiscal year. Such right to examine the records shall be exercisable: (i) upon reasonable advance notice to Landlord and at reasonable times during Landlord's business hours and (ii) only during the 60-day period (the "Audit Period") following Tenant's Audit Notice. Landlord shall make such books and records available at Landlord's office in Massachusetts or at the Property, or in electronically accessible form. [***] conducted by either a certified public accountant from a nationally-recognized accounting firm or a nationally-recognized commercial real estate services firm, in either case as approved by Landlord for such purpose (such approval not to be unreasonably withheld, conditioned or delayed), [***] Tenant may submit the dispute for determination by an arbitration conducted by the Boston Office of the American Arbitration Association ("AAA") in accordance with the AAA's commercial real estate arbitration rules. The arbitrator shall be selected by AAA and shall be a certified public accountant with at least ten (10) years of experience in auditing Class A commercial office and laboratory buildings and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years. [***]. Any auditing firm retained by Tenant pursuant to this paragraph shall not be compensated on a contingent fee basis. [***].

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As a condition precedent to performing any such examination of Landlord's books and records, Tenant's examiners shall be required to execute and deliver to Landlord an agreement in form reasonably acceptable to Landlord agreeing to keep confidential any non-public, confidential information that they discover about Landlord or the Building or the Property in connection with such examination and not to disclose the results of such examination except as required by law. Notwithstanding any prior approval of any examiners by Landlord, Landlord shall have the right to rescind such approval at any time if in Landlord's reasonable judgment the examiners have breached any confidentiality undertaking to Landlord or cannot provide reasonably acceptable assurances and procedures to maintain confidentiality.

ARTICLE 5.
TAXES

5.01. **Taxes.** Tenant covenants and agrees to pay to Landlord as Additional Rent Tenant's Pro Rata Share of the Taxes for each fiscal tax period, or ratable portion thereof, included in the Term. If Landlord receives a refund of any such Taxes, Landlord shall credit against Additional Rent next due or, at Landlord's election, pay Tenant its Pro Rata Share of the refund, in each case after deducting Landlord's reasonable costs and expenses incurred in obtaining the refund (to the extent such costs and expenses were not previously included in Operating Expenses or Taxes), but in any event such refund to Tenant shall not exceed amounts paid by Tenant for Taxes on account of the period subject to such refund. Upon Tenant's request, Landlord shall furnish Tenant with copies of the applicable real estate tax bill. Tenant shall make estimated payments on account of Taxes in monthly installments on the first day of each month, in amounts reasonably estimated from time to time by Landlord pursuant to Section 4.02(a).

5.02. **Definition of "Taxes".** "Taxes" means all taxes, assessments, betterments, excises, user fees and all other governmental charges and fees of any kind or nature, or impositions or agreed payments in lieu thereof or voluntary payments made in connection with the provision of governmental services or improvements of benefit to the Building or the Property, and all penalties and interest thereon (if due to Tenant's failure to make timely payments), assessed or imposed against the Premises or the Property (including without limitation any personal property taxes levied on the Property or on fixtures or equipment used in connection therewith), other than a federal or state income tax of general application. Taxes shall not include: any of the foregoing which are levied or assessed against the Property to the extent not attributable to the Term; inheritance, estate, gift, excise, franchise, income, gross receipts, capital levy, revenue, rent, state, payroll, stamp or profit taxes, however designated; or any interest or penalties resulting from the late payment of taxes by Landlord (except to the extent due to Tenant's failure to make timely payments), any environmental assessments, charges or liens arising in connection with the remediation of Hazardous Substances (as hereinafter defined) from the Premises or Building, the causation of which arose prior to the Commencement Date of this Lease, or to the extent caused by Landlord, its agents, employees or contractors or any tenant of the Building (other than Tenant or its sublessees or assignees); costs or fees

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payable to public authorities in connection with any future construction, renovation and/or improvements to the Premises or Building other than the Finish Work, the Tenant Work or improvements to the Premises made by or for Tenant, including fees for transit, housing, schools, open space, child care, arts programs, traffic mitigation measures, environmental impact reports, traffic studies, and transportation system management plans (except to the extent included in the CAM Charges under the Declaration or in the definition of Operating Expenses); reserves for future Taxes; or Taxes allocable to the Parking Garage. If during the Term the present system of taxation of real or personal property shall be changed so that, in lieu of or in addition to the whole or any part of such tax there shall be assessed, levied or imposed on such property or Premises or on Landlord any kind or nature of federal, state, county, municipal or other governmental capital levy, income, sales, franchise, excise or similar tax, assessment, levy, charge or fee (as distinct from the federal and state income tax in effect on the Date of Lease) measured by or based in whole or in part upon Building valuation, mortgage valuation, rents, services or any other incidents, benefits or measures of real property or real property operations, then any and all of such taxes, assessments, levies, charges and fees shall be included within the term of Taxes; provided, however, that Tenant's obligation with respect to such substitute taxes shall be limited to the amount thereof as computed at the rates that would be payable if the Building and Property were the only property of Landlord. Taxes shall also include reasonable expenses, including reasonable fees of attorneys, appraisers and other consultants, incurred by Landlord in connection with any efforts to obtain abatements or reduction or to assure maintenance of Taxes for any year wholly or partially included in the Term, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings. Landlord shall endeavor to have the Property separately assessed from the remainder of the Project by subdivision, condominium regime, or otherwise. In the event that the Building is not taxed separately from the remainder of the Project, Landlord will allocate the taxes on a square footage basis or on such other basis that is reasonably appropriate and equitable. Any exemption from real property taxes for the Property due to any Tax Increment Financing Agreement entered into by the Tenant and the City of Boston shall be allocated entirely to Tenant (i.e. not Tenant's Pro Rata Share) so that Taxes payable by Tenant reflects such exemption.

Landlord shall, upon the written request of Tenant, commence a proceeding for abatement of real estate Taxes, provided Landlord shall thereafter have the right to settle such proceeding for the benefit of tenants in its reasonable discretion. [***] In the event of any abatement of Taxes for a period occurring during the term of this Lease, Tenant shall be entitled to Tenant's Pro Rata Share of any refund (after deducting Landlord's or Tenant's, as applicable, reasonable cost in obtaining an abatement, if any, to the extent not previously included in Operating Expenses) but in any event such refund to Tenant shall not exceed the amounts on account of Taxes actually paid by Tenant with respect to the period subject to the abatement.

5.03. **Personal Property Taxes.** Tenant shall pay directly all taxes charged against Tenant's trade fixtures, furnishings, equipment, inventory, or other personal property (collectively, "Tenant Property"). Tenant shall use its best efforts to have Tenant

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Property taxed separately from the Property. Landlord shall notify Tenant if any of Tenant Property is taxed with the Property, and Tenant shall pay such taxes to Landlord within thirty (30) days of such notice.

ARTICLE 6.
UTILITIES

6.01. **Utilities.** Tenant shall pay all charges for water, sewer, gas, electricity and other utilities or like services used or consumed on the Premises (each, a "Utility Service" and collectively the "Utility Services"), and used or consumed by all mechanical equipment serving the Premises, wherever located, whether

called use charge, tax, assessment, fee or otherwise as the same become due. It is understood and agreed that Landlord shall be responsible for bringing each Utility Service described in the Base Building Work to a common switching point(s) at the Building as shown on the Base Building Work Plans (as defined in the Work Letter)(collectively, the “Utility Switching Points”). As part of the Base Building Work, Landlord shall install a direct meter to measure electricity serving the Premises and, with respect to all other Utility Services being installed as Base Building Work, a direct, sub- or “check” meter for measuring Tenant’s consumption of such Utility Service. Tenant shall pay all costs and expenses associated with any separately metered utilities (such as electricity and telephone) directly to the applicable service provider. Tenant shall pay all costs and expenses associated with utility charges that are based on a check- or sub-metering metering installation, based on Landlord’s reading of such meters, directly to Landlord at the same rate paid by Landlord to the provider thereof. Additional Rent for any check- or sub-metered utilities may be reasonably estimated monthly by Landlord, based on actual readings of sub — and “check” meters where applicable, and shall be paid monthly by Tenant within thirty (30) days after being billed with a final accounting based upon actual bills received from the utility providers following the conclusion of each fiscal year of the Building. Tenant shall pay for any and all costs to install and connect Utility Services from the Utility Switching Points to the Premises. Landlord shall be under no obligation as to any Utility Services beyond the foregoing responsibility to bring such Utility Services to the Utility Switching Points and as required in the completion of the Finish Work and Landlord shall not be liable for any interruption or failure in the supply of any utilities or Utility Services, except to the extent expressly set forth below.

To the extent permitted by law, Landlord shall have the right at any time and from time to time during the Term to contract for or purchase one or more Utility Services not being obtained directly by Tenant from any company or third party providing Utility Services (“Utility Service Provider”), subject to Tenant approval of the proposed Utility Service Provider, such approval not to be unreasonably withheld, conditioned or delayed, and provided that such alternate Utility Service Provider shall be retained on market terms and conditions. In requesting Tenant consent to a proposed Utility Service Provider, Landlord shall provide Tenant with reasonable documentation regarding the proposed contract to permit Tenant to determine whether such terms meet the foregoing standard. The parties acknowledge that, initially, the only Utility Services not being obtained directly by Tenant are water, sewer and gas, and the City of Boston and Boston

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Gas Company are the approved initial providers of such respective Utility Services. Provided there shall be no unreasonable interference with Tenant’s operations within the Premises, Tenant agrees reasonably to cooperate with Landlord and the Utility Service Providers and at all times as reasonably necessary, and on reasonable advance notice, shall allow Landlord and the Utility Service Providers reasonable access to any utility lines, equipment, feeders, risers, fixtures, wiring and any other such machinery or personal property within the Premises and associated with the delivery of Utility Services.

[***].

[***].

ARTICLE 7. INSURANCE

7.01. Coverage. Tenant shall maintain during the Term insurance for the benefit of Tenant and Landlord (as their interests may appear) from insurers rated at least A-/X by A. M. Best (subject to the provisions of Section 7.02, below), with terms and coverages reasonably satisfactory to Landlord and with such increases in limits as Landlord may from time to time reasonably request consistent with requirements at other Comparable Properties. Initially, Tenant shall maintain the following:

(a) Commercial general liability insurance naming Landlord, Landlord’s management agents and Landlord’s mortgagee(s) from time to time as additional insureds, with coverage for premises/operations, personal injury, and contractual liability with combined single limits of liability of not less than \$10,000,000 for bodily injury and property damage per occurrence with a per location aggregate.

(b) Property insurance that shall be primary on the Tenant Work and Finish Work and Tenant’s property, including its laboratory equipment, office furniture, trade fixtures, office equipment, inventory, merchandise and all other items of Tenant Property, in an amount adequate to cover their replacement cost, including a vandalism and malicious mischief endorsement, and sprinkler leakage coverage; business interruption insurance, loss of income and extra expense insurance covering all perils covered by a standard, “Special Form” (as defined from time-to-time by the insurance industry) property insurance policy. Such insurance, with respect only to Tenant Work, Finish Work, and Tenant’s BBW, as defined in Exhibit 10.03, shall name Landlord, and Landlord’s mortgagee(s) from time to time as additional loss payees as their interests may appear. Such insurance shall cover special perils including theft and such other risks Landlord may from time to time reasonably designate if such risks are required by landlords to be insured by tenants of similar properties under similar circumstances, for the full replacement cost value of the covered items and in amounts that meet any co-insurance clause of the policies of insurance, with a deductible amount not to exceed [***].

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(c) Workers’ compensation insurance with statutory benefits and employers’ liability insurance in the following amounts: each accident, \$1,000,000; disease (policy limit), \$1,000,000; disease (each employee), \$1,000,000.

In addition, Tenant shall carry such other coverages, and in such amounts, as are required by Landlord from time to time, so long as such coverages and amounts are consistent with Comparable Properties. Prior to the Date of Lease and on each anniversary of that date (or on the policy renewal date), Tenant shall give Landlord certificate(s) evidencing such coverage and with an affirmative statement of the agent issuing such certificate that it may not be canceled or coverage limits reduced without at least thirty (30) days’ prior written notice to Landlord and Tenant. Liability insurance maintained by Tenant shall be deemed to be primary insurance, and any liability insurance maintained by Landlord shall be deemed secondary to it.

Tenant may use blanket or excess umbrella coverage to satisfy any of the requirements of this Section 7.01 provided that the Premises is specifically named in any blanket coverage and the limits thereon are available on a per property basis and on such basis comply with the required limits set out herein and that any umbrella coverage is provided on a “following form” basis.

7.02. Action Increasing Rates. Tenant shall comply with Sections 9.01, 9.02, 9.03, and 9.04 and in addition shall not, directly or indirectly, use the Premises in any way that is prohibited by law (nothing in this sentence being deemed to relieve Landlord of its obligations under Sections 9.02 and 9.03). If Tenant, directly or indirectly, uses the Premises in any way that jeopardizes any insurance coverage carried by Landlord or Tenant as reasonably documented by evidence provided by Landlord to Tenant, then Tenant shall, if such use is in violation of the other terms and conditions of this Lease, promptly stop such use. Tenant shall, in any event, reimburse Landlord upon demand for all of Landlord’s costs incurred in providing any insurance to the extent attributable to any special endorsement or increase in premium resulting from the particular business or operations of Tenant, and any special or extraordinary risks or hazards resulting therefrom, including without limitation, any risks or hazards associated with the generation, storage and disposal of so-called biohazards or medical waste. Notwithstanding the foregoing, Tenant’s use of the Premises for the Permitted Uses, generally (as opposed to Tenant’s particular use) in compliance with the terms and conditions of this Lease shall not be deemed legally prohibited or dangerous to people or property for the purposes of this Section 7.02. Tenant shall cure any breach of this Lease on account of Tenant’s failure to carry the insurance required by this Section 7.02 within ten (10) days after notice from Landlord and Tenant shall have no further notice or cure right under Article 14 for any such breach.

The parties acknowledge and agree that, as of the date hereof, their respective insurers maintaining the property and commercial general liability insurers coverages required hereunder currently have an A.M. Best rating of [***] (i.e. in excess of the requirement otherwise set forth in this Article Seven). If at any time during the term of this Lease the Landlord’s or Tenant’s applicable insurance carriers no longer meet the [***] standard (but otherwise meets the [***] standard set forth herein), then, upon at

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least 30 days’ prior written notice from the other party, such party shall use commercially reasonable efforts to obtain such coverages from an insurer meeting the [***] standard at the sole cost and expense of the requesting party (to the extent that any such change in carrier results in additional costs) provided that nothing in this sentence shall obligate either party to change its insurance carrier if it would adversely affect coverages being provided to any other property under any blanket policy, result in a default under any other agreement to which the insured is a party, or otherwise be prohibited by the terms of the applicable insurance policy (and provided that in no event can any such request be made more than once in any 12-month period). [***].

The parties shall direct the Boston office of the AAA to appoint an arbitrator who shall have [***] and who has provided such services to buildings and property [***] and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years. [***].

The arbitration shall be conducted in accordance with the expedited commercial arbitration rules of the AAA insofar as such rules are not inconsistent with the provisions of this Lease (in which case the provisions of this Lease shall govern). [***].

[***]. The arbitrator’s decision shall be final and binding on the parties.

7.03. Waiver of Subrogation. Landlord and Tenant each waive any and every claim for recovery from the other for any and all loss of or damage to the Property or any part of it, or to any of its contents, to the extent such loss or damage is covered by property insurance or would have been covered by property insurance required hereunder. Landlord waives any and every such claim against Tenant that would have been covered had the insurance policies required to be maintained by Landlord by this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies. Tenant waives any and every such claim against Landlord that would have been covered had the insurance policies required to be maintained by Tenant under this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies. This mutual waiver precludes the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), and Landlord and Tenant each agree to give written notice of this waiver to each insurance company that has issued or shall issue any property insurance policy to it, and to have the policy properly endorsed, if necessary, to prevent invalidation of the insurance coverage because of this waiver.

7.04. Landlord’s Insurance. Landlord shall purchase and maintain during the Term with insurance companies rated at least [***] by A.M. Best (subject to the provisions of Section 7.02, above) the following: (i) commercial general liability insurance for incidents occurring in the common areas, with coverage for premises/operations, personal and advertising injury, products/completed operations and contractual liability with combined single limits of liability of not less than \$10,000,000 for bodily injury and property damage per occurrence; and (ii) All Risk property insurance covering property damage to the Building (other than Tenant Work), and loss of rental income (covering off-site events to the extent then available, if such coverage is available at commercially

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reasonable rates), covering special perils including theft for the full replacement cost value of the Building above foundation walls, [***], with co-insurance waived by inclusion of an agreed amount endorsement together with such other coverages and risks as Landlord shall reasonably decide or a mortgagee or ground lessor may require. As set forth in Section 4.02(a), a portion of the cost thereof shall be borne by Tenant. In addition, Landlord shall name Tenant as an additional insured (except with respect to acts of Tenant Parties) on its Pollution Legal Liability policy and any replacement policy obtained by Landlord from time to time during the term hereof (any such policy being referred to herein as “Environmental Insurance”).

ARTICLE 8. OPERATING EXPENSES

8.01. Operating Expenses. “Operating Expenses” shall mean all costs and expenses associated with the operation, management, maintenance and repair of the Property, together with the Building’s share of costs associated with the operation, management, maintenance and repair of the common areas of the

Project. Operating Expenses include without limitation costs of: compliance with Landlord's obligations under Section 10.03(c); planting and landscaping; snow removal; utility, water and sewage services; maintenance of signs (other than tenants' signs); supplies, materials and equipment purchased or rented; total wage and salary costs paid to, and all contract payments made on account of, all persons engaged in the operation, maintenance, security, cleaning and repair of the Property, including Social Security, old age and unemployment taxes and so-called "fringe benefits" prorated to the extent engaged in such services to or for the Building; services furnished to tenants of the Property, generally; maintenance, repair and replacement of Building equipment and components; utilities consumed and expenses incurred in the operation, maintenance and repair of the Property including, without limitation, oil, gas, hot/chilled water, and electricity (other than electricity to tenants in their demised premises if Tenant is directly responsible for payment under this Lease on account of electricity consumed by Tenant); workers' compensation insurance and property, liability and other insurance premiums; personal property taxes; rental or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Property; fees for required licenses and permits; refuse removal; security; an administrative fee in the initial amount of [***] per rentable square foot, increasing by [***] per rentable square foot after the third (3rd) Lease Year and every third (3rd) Lease Year thereafter, subject to a cap of [***] per rentable square foot during the initial term of this Lease and then increasing to a flat [***] per rentable square foot (i.e. without further increases) effective on the commencement of the Extension Term; Landlord's "Percentage Share" of "CAM Charges" (as defined in the Declaration); any periodic assessments, both regular and special, for which Landlord is or becomes responsible under the Project Documents; and costs incurred by Landlord to comply with the terms and conditions of any governmental approvals affecting operations of the Property (including without limitation the Project Documents). Landlord may use third parties or affiliates to perform any of these services (subject to the limitations on Operating Expenses attributable to services performed by affiliates expressly set forth in the immediately following paragraph), and the cost thereof shall be included in Operating

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Expenses, provided that Operating Expenses shall not include any property management fee, other than the administrative fee described above. Landlord shall reasonably allocate the cost of any Operating Expenses incurred jointly for the Property and any other property. In addition, if Landlord from time to time repairs or replaces any existing improvements or equipment or installs any new improvements or equipment to the Building (including without limitation energy conservation improvements or other improvements), then the cost of such items that are treated as capital expenses pursuant to generally accepted accounting principles (to the extent not excluded below) shall be amortized over their useful life, as reasonably determined by Landlord, together with interest at an actual or imputed interest rate (at the prime rate of interest then being charged by the Bank of America or its successors, plus 4%) and included in Operating Expenses.

Notwithstanding the foregoing, Operating Expenses shall not include: the cost of designing and constructing the Landlord Work; the costs of initial contributions, exactions, and costs of a capital nature, for which Landlord is or becomes responsible under the Project Documents (except (i) housing exactions in the amount of \$5.49 per square foot of gross floor area, as defined in the Boston Zoning Code, of the Building, payable in 12 equal annual installments following the issuance of a certificate of occupancy in accordance with the "Development Impact Project Agreement" listed on Exhibit 2.01(f) and (ii) such costs to the extent included in the CAM Charges paid to FPOC for administration of the Common Areas and Facilities); and costs incurred by Landlord in order to construct the Building and any other improvements at the Property and Project in compliance with the terms and conditions of any governmental approvals affecting operations of the Property (including without limitation the Project Documents), the cost of casualty repairs to the extent covered by insurance (except for reasonable deductibles paid by Landlord under insurance policies maintained by Landlord); costs associated with the operation of the business of Landlord and/or the sale and/or financing of the Property, as distinguished from the cost of Property operations, maintenance and repair; any ground or underlying lease rental; costs of disputes between Landlord and its employees, tenants or contractors; bad debt expenses and interest, principal, points and fees on debts or amortization on any mortgage or other debt instrument encumbering the Building or the Property; costs incurred by Landlord to the extent that Landlord is reimbursed by insurance proceeds or is otherwise reimbursed by third parties; expenses in connection with services or other benefits that are not offered to Tenant or to the extent that any other tenant is charged directly; management fees paid or charged by Landlord in connection with the management of the Building; amounts paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in the Building to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis; costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters; costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building; salaries of executives and owners not directly employed in the management/operation of the Building; the cost of work done (including without limitation leasehold improvements and redecoration work) or services furnished by

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Landlord exclusively for a particular tenant; the cost of soil and groundwater testing, remediation and other response actions, except to the extent the need therefor arises from any negligence or willful misconduct of Tenant or Tenant's employees, agents or contractors, or any default of Tenant under this Lease; advertising and other fees and costs (including without limitation legal, architectural and brokerage fees and tenant improvement allowances) incurred in procuring tenants; costs incurred in connection with causing the Base Building Work to comply with Legal Requirements existing as of the Commencement Date; repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the design, materials or workmanship of the Base Building Work or common areas during any warranty period (to the extent covered by warranty) or to comply with any requirements of any governmental authority in effect as of the Commencement Date; costs of repairs, restoration, replacements or other work occasioned by (i) fire, windstorm or other casualty and either (a) paid by insurance required to be carried by Landlord under this Lease, or (b) otherwise paid by insurance (not including any deductible paid by Landlord) then in effect obtained by Landlord, (ii) the exercise by governmental authorities of the right of eminent domain, whether such taking be total or partial, to the extent that Landlord is compensated by such governmental authority for such repairs, restoration, replacements or other work, or (iii) the act of any other tenant in the Building, or any other tenant's agents, employees, licensees or invitees to the extent the applicable cost is recovered from such person; Landlord's general overhead and administrative expenses not related to the Building; non-cash items, such as deductions for depreciation and amortization of the Building (except with respect to capital expenditures as specified above) and the Building equipment, or interest on capital invested; costs incurred due to violation by Landlord or any other tenant in the Building of the terms and conditions of any lease; salaries, wages, or other compensation to any employee of Landlord to the extent not assigned to the operation, management, maintenance, or repair of the Building, including accounting or clerical personnel and other overhead expenses of Landlord (except to the extent providing services, such as accounting, for which Landlord would otherwise use a third-party provider);

costs of the initial construction of the Base Building Work; repair of defects in the Base Building Work identified in the one year period after substantial completion of the Base Building Work; any expenses related to real estate taxes, insurance, and all expenses for the construction, operation, repair and maintenance of the Parking Garage. None of the foregoing exclusions from Operating Expenses shall be deemed to entitle Tenant to an exclusion on account of any portion of CAM Charges, Tenant acknowledging that Landlord may vote as part of FPOC on matters affecting the CAM Charges but does not control FPOC. [***].

Tenant shall pay Tenant's Pro Rata Share of Operating Expenses in accordance with Section 4.02.

ARTICLE 9. USE OF PREMISES

9.01. Permitted Uses. Tenant may use the Premises only for the Permitted Uses described in Section 1.10. Tenant shall keep the Premises equipped with appropriate

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safety appliances to the extent required by applicable laws or insurance requirements relating to Tenant's use of the Premises. Tenant shall comply with Landlord's rules and regulations (the "Rules and Regulations") promulgated from time to time, provided the same are not inconsistent with or in limitation of the provisions of this Lease and are reasonable, and Tenant shall use reasonable efforts to cause its agents, contractors, customers and business invitees to comply therewith. Landlord's initial Rules and Regulations are attached hereto as Exhibit 9.01.

9.02. Indemnification. From and after the Commencement Date, Tenant shall assume exclusive control of all areas of the Premises, including all improvements, utilities, equipment, and facilities therein. Tenant is responsible for the Premises and all of Tenant's improvements, equipment, facilities and installations, wherever located on the Property and all liabilities, including without limitation tort liabilities incident thereto. Tenant shall indemnify, save harmless and defend Landlord, and its members, managers, officers, directors, mortgagees, and employees (collectively, "Indemnitees") from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including reasonable attorneys' fees) arising in whole or in part out of (i) any injury, loss, theft or damage (except to the extent due to the negligence or willful misconduct of the Indemnitees and their respective agents, contractors or Landlord or its employees) to any person or property while on or about the Premises or, to the extent caused by the negligence or willful misconduct of Tenant, the Property; (ii) any condition within the Premises, or, to the extent caused by the negligence or willful misconduct of Tenant, the Property and, in each, except for conditions existing prior to the date that Tenant first takes occupancy of the Premises; and (iii) the use of the Premises by, or any act or omission of, Tenant or persons claiming by, through or under Tenant, or any of its agents, employees, independent contractors, suppliers or invitees.

Landlord shall indemnify, save harmless and defend Tenant, and its members, managers, officers, directors, and employees from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including without limitation reasonable legal fees) arising in whole or in part out of any injury, loss, theft or damage (except to the extent due to the negligent acts or omissions of Tenant, its employees, contractors or agents) to any person or property while on or about the common areas of the Property to the extent resulting from the negligent acts or omissions or willful misconduct of Landlord, its employees, agents or contractors.

The provisions of this Section 9.02 shall survive the expiration or earlier termination of this Lease.

9.03. Compliance With Legal Requirements. Tenant shall not cause or permit the Premises, or cause (or permit Tenant Parties to cause) the portions of the Property other than the Premises, to be used in any way that violates any law, code, ordinance, restrictive covenant, encumbrance, governmental regulation, order, permit, approval, Project Document, or any provision of this Lease (each a "Legal Requirement", and collectively the "Legal Requirements"), or constitutes a nuisance or waste, and shall comply with all Legal Requirements applicable to the Premises and Property. Tenant shall obtain and pay for all permits and shall promptly take all actions necessary to

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comply with all Legal Requirements, including without limitation the Occupational Safety and Health Act, applicable to Tenant's use of the Premises. Notwithstanding the foregoing two sentences to the contrary, Landlord shall be responsible for the compliance of the Base Building Work and the Finish Work with all Legal Requirements as of the Commencement Date. Tenant shall maintain in full force and effect all certifications or permissions required for Tenant's operations at the Premises. Tenant shall be solely responsible for procuring and complying at all times with any and all necessary permits, certifications, permissions and the like and complying with all reporting requirements directly relating or incident to: the conduct of its activities on the Premises; its scientific experimentation; transportation, storage, handling, use and disposal of any chemical or radioactive or bacteriological or pathological substances or organisms or other hazardous wastes or environmentally dangerous substances or materials or medical waste. Within ten (10) days of a request by Landlord, which request shall be made not more than once during each period of twelve (12) consecutive months during the Term hereof, unless otherwise requested by any mortgagee of Landlord, Tenant shall furnish Landlord with copies of all such permits that Tenant possesses or has obtained together with a certificate certifying that such permits are all of the permits that Tenant possesses or has obtained with respect to the Premises. Tenant shall promptly give notice to Landlord of any written orders, warnings or violations relative to the above received from any federal, state, or municipal agency or by any court of law and shall promptly comply with and cure the conditions causing any such violations in accordance with applicable Legal Requirements. Tenant shall not be deemed to be in default of its obligations under the preceding sentence to promptly cure any condition causing any such violation in the event that, in lieu of such cure, Tenant shall contest the validity of such violation by appellate or other proceedings permitted under applicable law, provided that: (i) any such contest is made reasonably and in good faith, (ii) Tenant makes provisions, including, without limitation, posting bond(s) or giving other security, reasonably acceptable to Landlord to protect Landlord, the Building and the Property from any liability, costs, damages or expenses arising in connection with such violation and failure to cure, (iii) Tenant shall agree to indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from and against any and all liability, costs, damages, or expenses arising in connection with such condition and/or violation, (iv) Tenant shall promptly cure any

violation in the event that it exhausts all available appeals without success, and (v) Tenant shall certify to Landlord's reasonable satisfaction that Tenant's decision to delay such cure shall not result in any actual or threatened bodily injury or property damage to Landlord, any tenant or occupant of the Building or the Property, or any other person or entity.

Landlord shall be responsible for the compliance of the structural elements, roof and building systems to the Utility Switching Points of the Building, and the common areas of the Building and the Property, with all Legal Requirements except to the extent compliance is required due to Tenant's particular use of the Premises, as opposed to the Permitted Uses generally.

9.04. Hazardous Substances. "Environmental Law" means all statutes, laws, rules, regulations, codes, ordinances, authorizations and orders of federal, state and local public

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authorities pertaining to any Hazardous Substances or to environmental compliance, contamination, cleanup or disclosures of any release or threat of release to the environment, of any Hazardous Substances, including, without limitation, the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Water Act, 33 U.S.C. § 1251, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f-300j, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1321, et seq.; the Solid Waste Disposal Act, 42 U.S.C. § 6901, et seq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq.; the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; the Superfund Amendments and Reauthorization Act of 1986, Public Law No. 99-499 (signed into law October 17, 1986); M.G.L. c.21C; and oil and hazardous materials as defined in M.G.L. c.21E, as any of the same are from time to time amended, and the rules and regulations promulgated thereunder, and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments, and all other federal, state and local statutes, laws, rules, regulations, codes, ordinances, standards, guidelines, authorizations and orders regulating the generation, storage, containment or disposal of any Hazardous Substances, including but not limited to those relating to lead paint, radon gas, asbestos, storage and disposal of oil, biological, chemical, radioactive and hazardous wastes, substances and materials, and underground and above-ground oil storage tanks; and any amendments, modifications or supplements of any of the foregoing.

"Hazardous Substances" means, but shall not be limited to, any hazardous substances, hazardous waste, environmental, biological, chemical, radioactive substances, oil, petroleum products and any waste or substance, which because of its quantitative concentration, chemical, biological, radioactive, flammable, explosive, infectious or other characteristics, constitutes or may reasonably be expected to constitute or contribute to a danger or hazard to public health, safety or welfare or to the environment, including without limitation any asbestos (whether or not friable) and any asbestos-containing materials, lead paint, waste oils, solvents and chlorinated oils, polychlorinated biphenyls (PCBs), toxic metals, etchants, pickling and plating wastes, explosives, reactive metals and compounds, pesticides, herbicides, radon gas, urea formaldehyde foam insulation and chemical, biological and radioactive wastes, or any other similar materials that are regulated by any Environmental Law.

Tenant may generate, produce, bring upon, use, store or treat Hazardous Substances in the Premises in connection with its operations at the Premises provided that (x) such use is in compliance with all applicable Legal Requirements, including without limitation Environmental Laws, and in compliance with the terms and conditions of this Lease, (y) as to any Hazardous Substances, processes, or procedures not then subject to Legal Requirements, such activities are conducted in accordance with standard laboratory practices for tenants conducting similar operations in Comparable Properties, and do not endanger or create a hazard to public health, safety or welfare or to the environment, within the Building or in the area of the Property, generally, and (z) in no event shall Tenant generate, produce, bring upon, use, store or treat Hazardous Substances with a risk category higher than Biosafety Level 2 as established by the Department of Health

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and Human Services ("DHHS") and as further described in the DHHS publication Biosafety in Microbiological and Biomedical Laboratories (5th Edition) (as it may be or may have been further revised, the "BMBL") or such nationally recognized new or replacement standards as may be reasonably selected by Landlord if applicable to similar facilities in the City of Boston, provided that such new or replacement standards may update requirements but shall not be materially more restrictive on Tenant's use than Biosafety Level 2 as of the Date of Lease. In all events Tenant shall comply with all applicable provisions of the BMBL. Furthermore, beginning on the Commencement Date, on an annual basis or upon Landlord's request following the occurrence of any Environmental Incident, or on no more than one additional occasion during any year if reasonably requested by Landlord's mortgagee(s) in connection with any financing or refinancing of the Property, Tenant shall provide Landlord with a list detailing the types and amounts of all Hazardous Substances being generated, produced, brought upon, used, stored, treated or disposed of by or on behalf of Tenant in or about or on the Premises, Building or Property and, upon Landlord's request, copies of any manifests or other federal, state or municipal filings by Tenant with respect to such Hazardous Substances (redacted to protect confidential information to the extent such redactions are permitted by the applicable federal, state or municipal authorities having jurisdiction over such filings). Tenant agrees to pay the reasonable cost of any environmental inspection or assessment requested by any lender that holds a security interest in the Property or this Lease, or by any insurance carrier, to the extent that such inspection or assessment pertains to any release, reasonable threat of release, contamination, or a loss or damage or determination of condition related to the foregoing (together, "Environmental Incidents") in the Premises other than Environmental Incidents arising prior to the Commencement Date or migrating to the Premises from some other part of the Building or Property due to environmental conditions existing prior to the Commencement Date or through no fault, act or omission of Tenant.

If any transportation to or from, or any storage, use or disposal of Hazardous Substances on or about, the Property by any Tenant Party results in any escape, or release, reasonable threat of release, contamination of the soil or surface or ground water or any loss or damage to person or property (any such event, a "Tenant Environmental Incident"), Tenant agrees to: (a) notify Landlord immediately of the occurrence; (b) after consultation with Landlord, clean up the occurrence in full compliance with all applicable Environmental Laws and (c) indemnify, save harmless and defend the Indemnitees from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including reasonable attorneys' fees) arising in whole or in part out of such occurrence. In the event of such occurrence, Tenant agrees to cooperate fully with Landlord and provide such documents, affidavits, and information and take

such actions as may be requested by Landlord from time to time (1) to comply with any Environmental Law or Legal Requirement, (2) to comply with any request of any mortgagee, insurer or tenant, and/or (3) for any other reason deemed necessary by Landlord in its sole discretion. In the event of any such occurrence that is required to be reported to a governmental authority under any Environmental Law or Legal Requirement, Tenant shall simultaneously deliver to Landlord copies of any notices given or received by Tenant and

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shall promptly pay when due any fine or assessment against Landlord, Tenant, or the Premises or Property relating to such occurrence.

Tenant acknowledges that it has received and reviewed certain environmental reports listed on Exhibit 9.04 (the “Environmental Reports”) regarding the condition of the Property and that, upon the Commencement Date, subject to the provisions of this paragraph, Tenant shall accept the Premises in the condition existing as of the date of this Lease with respect to the presence of Hazardous Substances. [***]. For the purposes of this paragraph, “response” has the meaning set forth in Section 2 of Chapter 21E of the Massachusetts General Laws. Expenses, losses and liabilities, as described above, shall include, without limitation (i) any and all expenses that Tenant may incur to comply with any Environmental Laws on account of such Occurrences; (ii) any and all costs that Tenant may incur in studying or remedying any Occurrences at or arising from the Premises, Building or the Property; (iii) any and all costs that Tenant may incur in studying, removing, disposing or otherwise addressing any Hazardous Substances on account of such Occurrences; (iv) any and all fines, penalties or other sanctions assessed upon Tenant on account of such Occurrences; (v) any and all reasonable legal and professional fees and costs incurred by Tenant in connection with the foregoing; and (vi) losses due to bodily injury or physical damage to property incurred by Tenant due to Landlord’s failure to undertake response actions required pursuant to, and within time periods required by, Legal Requirements on account of any such Occurrences. Tenant’s right to the foregoing indemnities shall be conditioned on Tenant giving prompt written notice to Landlord of any claim, demand or threat of claim or demand made upon Tenant by any governmental agency or other person. Landlord shall have the right, but not any obligation, to control the defense of any such matter which could result in an indemnification obligation by Landlord under this provision. Landlord shall be subrogated to any and all claims, rights and defenses Tenant has against other persons with respect to any such matter, and Tenant shall not settle, compromise or adjust any such claim or right or any indemnified matter without the prior written consent of Landlord.

The provisions of this Section 9.04 shall survive the expiration or earlier termination of this Lease.

9.05. Signs and Auctions. Tenant, at Tenant’s expense and subject to Landlord’s reasonable approval with respect to the location and design, shall have the exclusive right to install and maintain (i) reasonable amounts of non-retail signage in the Building lobby identifying Tenant and (ii) reasonable amounts of non-retail exterior signage on the Building identifying Tenant to the extent permitted by all Legal Requirements. Tenant shall be entitled, at Tenant’s sole cost and expense, to Tenant’s Pro Rata Share of any monument signage to which the Building has rights in the Project. Tenant shall not conduct or permit any auctions or sheriff’s sales at the Property. Landlord shall have the reserved right to install directional signage in the main lobby of the Building to direct visitors to the Parking Garage, [***] and to install signage identifying Landlord and Landlord’s property manager at the Building (but not within the Premises). Landlord shall cooperate with Tenant as is reasonably required, in Landlord’s capacity as owner of

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the Building, to apply for and obtain approvals from municipal authorities for any exterior signage pursuant to clause (ii) above, without any obligation for Landlord to incur any out-of-pocket expenses on account of such cooperation except to the extent that Tenant reimburses Landlord for the same.

9.06. Landlord’s Access. Landlord or its agents may enter the Premises at all reasonable times (i) to show the Premises to potential and actual buyers, investors, lenders, or, in the last eighteen (18) months of the Term (provided that Tenant has not timely exercised its right to extend the Term pursuant to Section 3.03), prospective tenants; (ii) to inspect and monitor Tenant’s compliance with Legal Requirements governing Hazardous Substances, and to inspect the Premises to determine whether Tenant is in compliance with the terms of this Lease, but any entries pursuant to this clause (ii) shall require at least two (2) business days’ prior notice, shall be during normal business hours (unless otherwise agreed by Tenant) and shall not occur more often than once annually during the term of this Lease except where a notice of default has been provided to Tenant or where such inspections are required by Landlord’s mortgagees or insurers; (iii) for purposes described in Sections 2.01(c), 9.04 and/or 10.04(b), or (iv) for any other purpose Landlord reasonably deems necessary in connection with the exercise of Landlord’s rights and obligations under this Lease. Landlord shall give Tenant reasonable prior notice (which shall be not less than 24 hours and may be via e-mail to vertex_operations@vrtx.com or an alternative e-mail address provided to Landlord in writing from time to time) of such entry. Landlord shall cooperate with Tenant to schedule any such entry and activity at a time designed to reduce any inconvenience to Tenant. Tenant shall have the right to have a representative of Tenant accompany Landlord during any such entry, but entry shall not be prohibited if Tenant fails to provide an accompanying representative (in the event of which failure, Landlord shall attempt at least one phone call to each Tenant’s Designated Representative (as defined below), if any then exists, to notify Tenant of such failure prior to any entry). However, in case of emergency, Landlord may enter any part of the Premises with such notice as is reasonably practicable or without prior notice if notice is impracticable and without Tenant’s representative, if necessary, and shall, if no notice was provided (Landlord agreeing that it shall endeavor to provide an e-mail notice to the e-mail address provided above), promptly notify Tenant of the nature and extent of such entry. During Landlord’s access of the Premises, Landlord shall comply with reasonable security provisions required by Tenant to preserve the confidential nature of information in whatever form maintained within the Premises. For safety, security, confidentiality or compliance with law purposes, Tenant may designate certain limited areas as limited access areas to be shown on plans provided by Tenant to Landlord and updated by Tenant as reasonably necessary in the future to which Landlord and related parties shall not have access except in an emergency or as otherwise reasonably necessary and then only in accordance with a mutually agreed-upon plan to protect Tenant’s reasonable concerns regarding safety, security and confidentiality, provided that such limited access areas shall be reasonably identified and necessary to protect the health of persons or security of confidential and proprietary information. Landlord and Tenant will develop a protocol limiting and controlling the distribution of Landlord’s keys or other access devices to the Premises. “Tenant’s Designated Representative” shall mean (a) a person with an office at the

Premises identified by Tenant in writing to Landlord from time to time as the primary point of contact for Landlord's access to the Premises and (b) the on-site supervisor of Tenant's private security, if any, that is then on duty. Tenant shall provide Landlord with a phone number for Tenant's Designated Representative with any notice designating such person, and any change in the identification of Tenant's Designated Representative shall take effect five (5) business days following delivery of such notice to Landlord.

9.07. Security. Tenant shall be solely responsible, at Tenant's sole cost and expense, to provide any security measures that Tenant requires within, and at the entries to, the Premises. Tenant shall provide Landlord with a written description of its security plan from time to time, outlining Tenant's security measures to the extent applicable to visitors, guests, and others entitled to access the Premises (Tenant being permitted to redact from such security plan any Confidential Information, as defined in Section 16.14). Tenant's security plan shall include the designation of a person or persons who shall be on the Premises 24 hours, seven days a week to the extent required for the purposes of fulfilling municipal fire command obligations (Landlord acknowledging that such person may be a third-party contractor or designee thereof). Tenant shall have reasonable access to the Property outside the Premises to install and operate any such security measures, including installation of security video cameras in the Premises and Common Areas and Facilities located on the Property (and the retail loading docks on the Property), subject to Landlord's reasonable approval. In no event may Tenant's security measures restrict or impede access to the Parking Garage through the main lobby of the Building.

Landlord shall develop, or cause to be developed by FPOC, jointly with Tenant and subject to Tenant approval, such approval not to be unreasonably withheld, conditioned or delayed, a commercially reasonable security and operations plan (the "Security Plan") for the exterior perimeter and common areas of the Building and the Parking Garage. Operating Costs of security outside of the Premises related to Tenant's use of the Premises that are in excess of those typically anticipated for the other uses at the Project will be allocated entirely to Tenant. Landlord shall provide for security to the Property in accordance with the Security Plan. Notwithstanding the fact that Landlord provides security services at the Property at any time during the Term, to the extent permitted by applicable law, Landlord shall not be deemed to owe Tenant, or any person claiming by, through or under Tenant, any special duty or standard of care as a result of Landlord's provision of such security services other than the duty or standard of care that would have applied without such services and in no event shall Landlord be responsible for the efficacy of any such security measures.

Tenant acknowledges and agrees that all maintenance, repair, replacement, operation and administration of the "Fan Pier Project Common Areas and Facilities" (as defined in the Declaration) are under the control of the Developer or FPOC and that the Developer's or FPOC's election to provide mechanical surveillance or to post security personnel in the Fan Pier Project Common Areas and Facilities is subject to the Developer's or FPOC's sole discretion. Landlord will provide, and cause Landlord affiliates owning parcels within the Project to provide, in the Declaration a definition of

"First Class Standard" for the maintenance and operation of Fan Pier Project Common Areas and Facilities, as follows: "the standard according to which first class multi-use developments including office, research laboratory, hotel and residential buildings therein of a size and otherwise reasonably comparable to the Project are then being maintained in major urban areas within the United States. Without limiting the generality of the foregoing, with respect to the level of security in the Fan Pier Project Common Areas and Facilities, First Class Standard shall not be less than the following from and after the Substantial Completion of the Building: a sufficient number of trained security personnel shall patrol the Fan Pier Common Areas and Facilities so as to walk the perimeter of all of the Initial Improvements (as defined in the Declaration) and through the Open Space Areas (as defined in the Declaration) at intervals of approximately every hour on a 24 hour/7 days per week basis. Such security personnel shall be equipped with communication equipment for contacting 911 in case of emergency, and shall log their rounds using fobs such as Detex system." The Landlord shall exercise reasonable efforts to prevent future amendment of the Declaration to reduce this level of security. Notwithstanding anything to the contrary contained in this Lease, Landlord's sole responsibility with respect to the maintenance, repair, replacement, operation, administration or the provision of surveillance or security in the Fan Pier Project Common Areas and Facilities shall be to use commercially reasonable efforts to enforce the obligations of the Developer or FPOC under the Declaration. Tenant shall hold Landlord harmless from any claim concerning the failure to maintain any portion of the Fan Pier Project Common Areas and Facilities, other than a failure of Landlord to use commercially reasonable efforts to enforce the Developer or FPOC's obligations under the Project Documents or to the extent such failure results from a failure to fund Landlord's share of assessments under the Declaration (other than as a result of Tenant's default).

ARTICLE 10. CONDITION AND MAINTENANCE OF PREMISES AND PROPERTY

10.01. Condition of Premises and Property. Tenant acknowledges that except for any express representations in this Lease, neither Landlord nor any person acting under Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection and inquiry regarding the Property and is not relying on any representations of Landlord or any Broker or persons acting under either of them except for any express representations in this Lease.

10.02. Exemption and Limitation of Liability.

(a) Exemption from Liability. Tenant shall insure its personal property under a "Special Form" (as defined by the insurance industry). Landlord shall not be liable for any damage or injury to the person, property or business (including loss of revenue, profits or data) of any Tenant Party except to the extent of any damage or injury to persons or property arising from Landlord's negligence or willful

misconduct (but subject to the provisions of Section 7.03 and exclusions from liability set forth in Section 10.02(c), and nothing in this sentence shall be construed to limit Tenant's express remedies pursuant to Sections 6.01 and 12.01 of this Lease). Except as otherwise expressly provided in this Lease, this exemption shall apply whether such damage or injury is caused by (among other things): (i) fire, steam, electricity, water, gas, sewage, sewer gas or odors, snow, ice, frost or rain; (ii) the breakage, leaking, obstruction or other defects of pipes, faucets, sprinklers, wires, appliances, plumbing, windows, air conditioning or lighting fixtures or any other cause; (iii) any other casualty or any Taking; (iv) theft; (v) conditions in or about the Property or from other sources or places; or (vi) any act or omission of any other tenant.

(b) Limitations On Liability. Tenant agrees that Landlord shall be liable only for breaches of its covenants occurring while it is owner of the Property (provided, however, that if Landlord from time to time is lessee of the ground or improvements constituting the Building, then Landlord's period of ownership of the Property shall be deemed to mean only that period while Landlord holds such leasehold interest). Upon any sale or transfer of the Building (or Landlord's interest as ground lessee, as applicable), the transferor Landlord (including any mortgagee) shall be freed of any liability or obligation thereafter arising to the extent that such liabilities and obligations are assumed by such transferee and, thereafter, Tenant shall look solely to the transferee Landlord as aforesaid for satisfaction of such liability or obligation. Tenant and each person acting under Tenant agrees to look solely to Landlord's interest from time to time in the Property, including the rents, insurance proceeds and condemnation proceeds therefrom, for satisfaction of any claim against Landlord. No owner, trustee, beneficiary, partner, member, manager, agent, or employee of Landlord (or of any mortgagee or any lender or ground or improvements lessor) nor any person acting under any of them shall ever be personally or individually liable to Tenant or any person claiming under or through Tenant for or on account of any default by Landlord or failure by Landlord to perform any of its obligations hereunder, or for or on account of any amount or obligations that may be or become due under or in connection with this Lease or the Premises; nor shall it or they ever be answerable or liable in any equitable judicial proceeding or order beyond the extent of their interest in the Property. No owner, trustee, beneficiary, partner, member, manager, agent or employee of Tenant nor any person acting under any of them shall ever be personally or individually liable to Landlord or any person acting under or through Landlord for or on account of any default by Tenant or failure by Tenant to perform any of its obligations that may be or become due under or in connection with this Lease or the Premises. No deficit capital account of any member or partner of Landlord shall be deemed to be a liability of such member or partner or an asset of Landlord.

(c) No Indirect or Consequential Damages. In no event shall Landlord or Tenant ever be liable to the other for indirect or consequential damages (including loss of revenue, profits, or data); provided, however, that no remedies or damages expressly provided in this Lease shall be considered indirect or consequential, and

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that the provisions of this Section 10.02(c) shall not apply to Sections 3.02 and 9.04 of this Lease.

10.03. Landlord's Obligations.

(a) Base Building Work. Landlord shall construct the Base Building Work as further set forth on Exhibit 10.03, attached.

(b) Finish Work. Landlord shall construct the Finish Work as further set forth in Exhibit 10.03, attached. Payments for such Finish Work and other provisions relating to Finish Work will be as provided in Exhibit 10.03.

(c) Repair and Maintenance. Subject to the provisions of Article 12, and except for damage caused by any act or omission of Tenant or persons acting under Tenant, Landlord shall make such repairs and replacements to the roof structure and roof membrane; exterior walls; floor slabs, footings, foundations, columns, and other structural components of the Building; glass in exterior windows and exterior doors of the Building; and other Building systems up to the Utility Switching Points, as may be necessary to properly maintain them in good repair and condition. Landlord shall have no obligation to repair or maintain any portion of the Premises or perform any service, except as specifically set forth in this paragraph. Tenant shall promptly report in writing to Landlord any defective condition known to it that Landlord is required to repair. Tenant waives the benefit of any present or future law that provides Tenant the right to repair the Premises or Property at Landlord's expense or to terminate this Lease because of the condition of the Property or Premises (but nothing in this sentence shall be deemed to limit Tenant's exercise of the remedies expressly provided in the immediately following paragraph).

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10.04. Tenant's Obligations.

(a) Repair and Maintenance. Except for work that Section 10.03 or Article 12 requires Landlord to do, Tenant at its sole cost and expense shall keep the Premises including without limitation all elevators; elevator shafts; heating, ventilation and air conditioning equipment; fixtures, systems and equipment of any type serving the Premises, and now or hereafter on the Premises, or elsewhere serving the Premises, in good order, condition and repair (and at least as good order, condition and repair as they are in on the Commencement Date or may be put in during the Term), normal wear and tear, casualty and condemnation (to the extent the responsibility of Landlord pursuant to Article 12 hereof) excepted; shall keep in a safe, secure and sanitary condition all trash and rubbish temporarily stored at the Premises; and shall make all repairs and replacements and do all other work necessary for the foregoing purposes whether the same may be ordinary or extraordinary, foreseen or unforeseen. The foregoing shall include without limitation

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Tenant's obligation to repair, maintain, and replace floors and floor coverings, to paint and repair walls and doors, to replace and repair all glass in windows and doors of the Buildings (except glass in the exterior walls of the Buildings and in exterior doors), ceiling tiles, lights and light fixtures, pipes, conduits, wires, drains and the like in the Premises and to make as and when needed as a result of misuse by, or neglect or improper conduct of Tenant or any Tenant Party or otherwise, all repairs necessary, which repairs and replacements shall be in quality and class equal to the original work. Tenant shall secure, pay for, and keep in force third-party maintenance and service contracts with appropriate and reputable service companies approved by Landlord (such approval not to be unreasonably withheld, conditioned or delayed) providing for the regular maintenance of all elevators, elevator shafts, heating, ventilation and air conditioning equipment, Building systems, the Building life safety system including the emergency generator connected to the Building life safety system and the fire command center; and other elements of the Premises within Tenant's repair and maintenance responsibility that landlords of Comparable Properties typically service by use of third-party service companies (collectively, the "Service Contracts"), copies of which shall be provided to Landlord, and Tenant shall provide to Landlord in a timely manner such periodic inspection reports (but no less frequently than annually) as are prepared by the service providers under the Service Contracts.

Without limitation, Tenant shall be responsible for heating, ventilating and air-conditioning systems to the extent exclusively serving the Premises and Utility Services serving the Premises from the Utility Switching Points. If anything required pursuant to this Section 10.04(a) to be repaired cannot be fully repaired or restored, Tenant upon prior notice to Landlord shall replace it at Tenant's cost, even if the benefit or useful life of such replacement extends beyond the Term provided, however that if, in the last three years of the Term, (i) the replacement has been approved in advance and in writing by Landlord, not to be unreasonably withheld, and (ii) the property subject to replacement will become the property of Landlord pursuant to the terms of this Lease at the conclusion of the Term, then within ninety (90) days after the expiration of the Term, Landlord shall reimburse Tenant for the unamortized portion of the capital replacement calculated as follows: upon receipt of notice from Tenant of the need for such capital replacement, Landlord and Tenant shall cooperate to determine the estimated cost of such replacement. The actual cost of the replacement, as documented by Tenant and subject to Landlord's approval (which shall not be unreasonably withheld), shall be amortized over the useful life of such replacement as reasonably determined by Landlord on a straight line basis together with interest at the prime interest rate from time to time announced by Bank of America (or any successor financial institution). Tenant shall transfer to Landlord all of its rights and interests in any warranties, together with copies of the same, related to said replacement at the conclusion or earlier expiration of the Term. Tenant acknowledges that Landlord has the right, but not the obligation, to reduce the amount payable at the conclusion of the Term to Tenant pursuant to this paragraph by any amounts of Rent then due and payable to Landlord.

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Tenant shall hire its own cleaning contractor for the Premises. Notwithstanding anything to the contrary in this Lease, it is expressly understood and agreed that Landlord shall have no liability or responsibility for the storage, containment or disposal of any Hazardous Substances generated, stored or contained by Tenant, Tenant hereby agreeing to store, contain and dispose of any and all such Hazardous Substances at Tenant's sole cost and expense in accordance with the provisions of Article 9 hereof.

Tenant acknowledges that the Parking Garage is open to the general public and that access to the Parking Garage must be maintained open to the public through the main Building lobby and the common stairways and stairwells providing access to the Parking Garage from the lobby at all times during the Term, subject to matters described in Article 12. Stairways and stairwells and elevators serving the Parking Garage shall be differentiated and secured from stairways, stairwells and elevators serving the Building so that there is no direct access from the Parking Garage to the upper floors of the Building without entering the lobby. Notwithstanding anything to the contrary herein, such lobby shall be maintained by Tenant in a condition consistent with main building lobbies in Class A office buildings in the Seaport District of the City of Boston, Massachusetts.

(b) Landlord's Right to Cure. If Tenant does not perform any of its obligations under Section 10.04(a), Landlord upon twenty (20) days' prior notice to Tenant (or without prior notice in the case of an emergency) may perform such maintenance, repair or replacement on Tenant's behalf, and Tenant shall reimburse Landlord for all costs reasonably incurred, plus an administrative charge of ten percent (10%) of such costs, within thirty (30) days following invoice from Landlord.

(c) Other Tenant Work. Tenant shall perform all work, other than the Landlord Work, required to prepare the Premises for Tenant's use and occupancy.

10.05. Tenant Work.

(a) General. "Tenant Work" shall mean all work, including demolition, improvements, additions and alterations, in or to the Premises other than the Landlord Work. Without limitation, Tenant Work includes any penetrations in the walls, partitions, ceilings or floors and all attached carpeting, all signs visible from the exterior of the Premises, and any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like). All Tenant Work shall be subject to Landlord's prior written approval and shall be arranged and paid for by Tenant all as provided herein; provided that any interior, non-structural Tenant Work (including any series of related Tenant Work projects) that (a) costs less than [***] (the "Tenant Work Threshold Amount" , (b) does not adversely affect any fire-safety, telecommunications, electrical, mechanical, or plumbing systems of the Building ("Core Building Systems") (it being agreed that the mere use of such Core Building Systems in a manner within the designed load and capacity of such Core Building Systems, and in accordance with applicable operating specifications, is not deemed to have an adverse affect in and of itself), and (c) does not adversely affect any

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penetrations in or otherwise affect any walls, floors, roofs, or other structural elements of the Building or any signs visible from the exterior of the Premises or any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like) shall not require Landlord's prior approval if Tenant delivers the Construction Documents (as defined in Section 10.05(b)) for such work to Landlord at least five (5) business days' prior to commencing such work. When Tenant requests Landlord's approval pursuant to the foregoing sentence with respect to Tenant Work requiring

Landlord's prior written approval, such approval shall be granted or denied by Landlord within ten (10) business days after Landlord's actual receipt of such request provided that Tenant indicates in a prominent location and in prominent bold type, that Landlord is obligated to respond to such request within ten (10) business days. Landlord shall not unreasonably withhold, condition or delay Landlord's approval of Tenant Work, but Landlord's disapproval of proposed Tenant Work shall not be unreasonable where, in Landlord's reasonable judgment, such proposed Tenant Work (i) adversely affects any structural component of the Building, (ii) would be incompatible with the Core Building Systems, (iii) affects the exterior or the exterior appearance of the Building or common areas within or around the Building or other property than the Premises, (iv) diminishes the value of the Premises or the Property, or (v) requires any unusual expense to readapt the Premises. Landlord shall cooperate with Tenant, at no cost and liability to Landlord, to execute any permit applications requiring execution by the Building owner in connection with Tenant Work. Prior to commencing any Tenant Work affecting air disbursement from ventilation systems serving the Premises or the Building, including without limitation the installation of Tenant's exhaust systems, Tenant shall provide Landlord with a third party report from a consultant, and in a form, reasonably acceptable to Landlord, showing that such work will not adversely affect the ventilation systems of the Building (or of any other tenant in the Building) and shall, upon completion of such work, provide Landlord with a certification reasonably satisfactory to Landlord from such consultant confirming that no such adverse effects have resulted from such work. In its grant of approval of any Tenant Work, in order to require that Tenant remove at Tenant's cost such Tenant Work at the end of the Term, Landlord must notify Tenant of such restoration requirement contemporaneously with Landlord's approval of the plans and specifications for such Tenant Work. If Tenant Work did not require prior approval by Landlord, Landlord may require that such Tenant Work be removed at the end of the Term if such Tenant Work is not readily useable for first class office and laboratory purposes.

(b) Construction Documents. No Tenant Work shall be effected except in accordance with complete, coordinated construction drawings and specifications ("Construction Documents") prepared in accordance with Exhibit 10.05(b). Before commencing any Tenant Work requiring Landlord's approval hereunder, Tenant shall obtain Landlord's prior written approval of the Construction Documents for such work, which approval shall not be unreasonably withheld, conditioned or delayed. The Construction Documents shall be prepared by an architect or, where applicable, a qualified engineer (in either case, "Tenant's Architect") registered in the Commonwealth of Massachusetts, experienced in the construction of tenant space

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improvements in comparable buildings in the area where the Premises are located and, if the value of such Tenant Work will equal or exceed the Tenant Work Threshold Amount or will affect any Core Building Systems or structural components of the Building, the identity of such Tenant's Architect shall be approved by Landlord in advance, such approval not to be unreasonably withheld. Tenant shall be solely responsible for the liabilities associated with and expenses of all architectural and engineering services relating to Tenant Work and for the adequacy, accuracy, and completeness of the Construction Documents even if approved by Landlord (and even if Tenant's Architect has been otherwise engaged by Landlord in connection with the Building). The Construction Documents shall set forth in detail the requirements for construction of the Tenant Work and shall show all work necessary to complete the Tenant Work including all cutting, fitting, and patching and all connections to the mechanical, electrical, and plumbing systems and components of the Building. Submission of the Construction Documents to Landlord for approval shall be deemed a warranty that, except as is specifically and expressly set forth therein, all Tenant Work described in the Construction Documents (i) complies with all applicable laws, regulations, building codes, and highest design standards, (ii) does not materially and adversely affect any structural component of the Building, (iii) is compatible with and does not adversely affect the Core Building Systems, (iv) does not affect any property other than the Premises, and (v) conforms to floor loading limits specified by Landlord. The Construction Documents shall comply with Landlord's requirements for the uniform exterior appearance of the Building. Landlord's approval of Construction Documents shall signify only Landlord's consent to the Tenant Work shown and shall not result in any responsibility of Landlord concerning compliance of the Tenant Work with laws, regulations, or codes, or coordination or compatibility with any component or system of the Building, or the feasibility of constructing the Tenant Work without damage or harm to the Building, all of which shall be the sole responsibility of Tenant.

(c) Performance. The identity of any person or entity (including any employee or agent of Tenant) performing or designing any Tenant Work ("Tenant Contractor") shall, if the cost of such work in any instance is in excess of the Tenant Work Threshold Amount or will affect any Core Building Systems or structural components of the Building or involves any work other than interior, nonstructural alterations, be approved in advance by Landlord, such approval not to be unreasonably withheld. Once any Tenant Contractor has been approved, then the same Tenant Contractor may thereafter be used by Tenant for the same type of work until Landlord notifies Tenant that such Tenant Contractor is no longer approved. Tenant shall procure at Tenant's expense all necessary permits and licenses before undertaking any Tenant Work. Tenant shall perform all Tenant Work at Tenant's risk in compliance with all applicable laws and in a good and workmanlike manner employing new materials of good quality and producing a result at least equal in quality to the other parts of the Premises. When any Tenant Work is in progress, Tenant shall cause to be maintained insurance as described in the Tenant Work Insurance Schedule attached as Exhibit 10.05(c) and such other insurance as may be reasonably required by Landlord covering any additional hazards due to such Tenant

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Work, and, if the cost of such Tenant Work exceeds [***] also such bonds or other assurances of satisfactory completion and payment as Landlord may reasonably require, in each case for the benefit of Landlord. If the Tenant Work in any instance requires Landlord's approval hereunder, Tenant shall reimburse Landlord for Landlord's reasonable third party, out of pocket costs of reviewing the Construction Documents and proposed Tenant Work and inspecting installation of the same, such reimbursement to be made within thirty (30) days after submission by Landlord of invoices for such costs and expenses. So long as the Construction Documents and Tenant Work comply with the requirements of this Lease, Tenant's obligation to reimburse Landlord pursuant to the immediately preceding sentence for review of Construction Documents shall not exceed [***], which amount shall be increased annually to reflect increases in the Consumer Price Index for all Urban Wage Earners and Clerical Workers, All Items, for Boston, Massachusetts published by the Bureau of Labor Statistics of the United States Department of Labor (base year 1982-84 = 100), with respect to any one project. At all times while performing Tenant Work, Tenant shall require any Tenant Contractor to comply with all applicable Legal Requirements and Landlord's Rules and Regulations relating to such work. Each Tenant Contractor working on the roof of the Building shall coordinate with Landlord's roofing contractor,

shall comply with its requirements and shall not violate existing roof warranties. Each Tenant Contractor shall work on the Premises without causing delay to or impairing of any guaranties, warranties or the work of any other contractor.

(d) Payment. Tenant shall pay the entire cost of all Tenant Work, including without limitation any services provided to Tenant or those claiming by or through Tenant in connection with Tenant Work giving rise to a lien pursuant to the Massachusetts General Laws, so that the Premises, including Tenant's leasehold, shall always be free of liens for labor or materials or as otherwise provided under such statutes. If any such lien is filed, then Tenant shall promptly (and always within twenty (20) days) discharge the same.

(e) LEED Certification. The Base Building Work has been registered to qualify for Leadership in Energy and Environmental Design ("LEED") Core & Shell status as established by the U.S. Green Council based on the LEED Core & Shell standards in effect as of the date of such registration. Any Tenant Work shall comply with the standards necessary to maintain the applicable LEED Core & Shell certification of the Building.

(f) Other. Tenant must schedule and coordinate all aspects of Tenant Work with the Landlord's property manager or designated representative. If an operating engineer is required by any union regulations, Tenant shall pay for such engineer. If shutdown of risers and mains for electrical, mechanical and plumbing work is required, such work shall be supervised by Landlord's representative (the reasonable costs of which shall be included in Operating Expenses, notwithstanding anything to the contrary set forth in Section 8.01). No work shall be performed to portions of Building systems that serve other tenants without Landlord's approval,

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which approval shall not be unreasonably withheld, conditioned or delayed, and all such work shall be performed under Landlord's supervision. Except in case of emergency, at least two (2) business days' prior notice must be given to the Building management office prior to the shutdown of fire, sprinkler and other alarm systems, and in case of emergency, prompt notice shall be given. In the event that such work unintentionally alerts the Fire or Police Department or any private alarm monitoring company through an alarm signal, Tenant shall be responsible for any fees or charges levied in connection with such alarm. Tenant shall pay to Landlord such charges as may from time to time be in effect with respect to any such shutdown. All demolition, installations, removals or other work that is reasonably likely to inconvenience other tenants of the Building or disturb Building operations must be scheduled with the Building manager at least twenty-four (24) hours in advance.

Each Tenant Contractor and Tenant shall assure that any Tenant Work is carried out without disruption from labor disputes arising from whatever cause, including disputes concerning union jurisdiction and the affiliation of workers employed by said Tenant Contractor or its subcontractors. Tenant shall be responsible for, and shall reimburse Landlord for, all actual costs and expenses, including reasonable attorneys' fees incurred by Landlord in connection with the breach by any Tenant Contractor of such obligations. If Tenant does not promptly resolve any labor dispute caused by or relating to any Tenant Contractor, Landlord may in its sole discretion request that Tenant remove such Tenant Contractor from the Property, and if such Tenant Contractor is not promptly removed, Landlord may prohibit such Tenant Contractor from entering the Property.

Upon completion of any Tenant Work, Tenant shall give to Landlord (i) a permanent certificate of occupancy and any other final governmental approvals required for such work, (ii) copies of "as built" plans, (iii) proof of payment for all labor and materials, and (iv) an assignment of all warranties for such Tenant Work to the extent such warranties extend beyond the then-scheduled expiration of the Term in compliance with, and subject to the terms of, such contracts or warranties.

10.06. Condition upon Termination. At the expiration or earlier termination of the Term, Tenant (and all persons claiming through Tenant) shall without the necessity of notice deliver the Premises broom-clean, in compliance with the requirements of Section 10.07 and in good and tenantable condition, reasonable wear and tear and (subject to the provisions of Article 12) damage by casualty or taking excepted. As part of such delivery, Tenant shall also provide keys (or lock combinations, codes or electronic passes) to any locks in and to the Premises to Landlord; provide Landlord with copies of any owners' manuals or software required for the operation of equipment or systems remaining in the Premises; remove all signs installed by Tenant wherever located (other than those that are required under applicable laws, such as exit signs), all Tenant Work or Finish Work designated by Landlord for removal by Tenant at the time of approval of such Tenant Work or Finish Work or, with respect to work not requiring Landlord's approval, at the time Tenant gives notice to Landlord that Tenant is undertaking such work pursuant to this Article 10 (provided, however, that Landlord may

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only require the removal of Finish Work that results in changes to the structural components (including without limitation columns and floor slabs), exterior walls, and, other than Rooftop Equipment and related Finish Work that is integral to the function of Finish Work installations, equipment or systems that will remain in the Premises in compliance with this Lease, the roof of the Building); and remove all Tenant Property and other personal property whether or not bolted or otherwise attached (provided, however, than in no event shall the items described on Exhibit 10.06, attached, be considered Tenant Property or personal property, and such items shall remain in the Premises notwithstanding anything to the contrary in this Lease). [***]. Tenant shall repair all damage that results from such removal and restore the Premises substantially to the condition it was in prior to installation of the removed property (including the filling of all floor and wall holes, the removal of all disconnected wiring back to junction boxes and the replacement of all damaged ceiling tiles). Any property not so removed shall be deemed abandoned, shall at once become the property of Landlord, and may be disposed of in such manner as Landlord shall see fit; and Tenant shall pay the cost of removal and disposal to Landlord upon demand to the extent such cost exceeds the value received, if any, from any sale of such property. The covenants of this Section shall survive the expiration or earlier termination of the Term.

10.07. Decommissioning of the Premises. Prior to the expiration of this Lease (or within sixty (60) days after any earlier termination), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing in and/or serving the Premises, and all exhaust or other ductwork in and/or serving the Premises, in each case which has carried or released or been exposed to any Hazardous Substances (as defined in Section 9.04 hereof), and shall otherwise clean the Premises so as to permit the report hereinafter called for by this

Section 10.07 to be issued. Prior to the expiration of this Lease (or within sixty (60) days after any earlier termination), Tenant, at Tenant's expense, shall obtain for Landlord a report addressed to Landlord (and, at Tenant's election, Tenant) by a reputable licensed environmental engineer that is designated by Tenant and acceptable to Landlord in Landlord's reasonable discretion, which report shall be based on the environmental engineer's inspection of the Premises and shall show:

- (a) that the Hazardous Substances described in the first sentence of the immediately preceding paragraph, to the extent, if any, existing prior to such decommissioning, have been removed in accordance with applicable Environmental Laws; and
- (b) that Hazardous Substances described in the first sentence of this Section 10.07, if any, have been removed in accordance with applicable Environmental Laws from the interior surfaces of the Premises (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing, and all such exhaust or other ductwork in the Premises, may be reused by a subsequent tenant or disposed of in compliance with applicable Environmental Laws (as defined in Section 9.04 hereof) without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of

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such Hazardous Substances and without giving notice in connection with such Hazardous Substances; and

- (c) that the Premises may be reoccupied for office or laboratory use, as applicable, demolished or renovated without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of Hazardous Substances and without incurring regulatory requirements or giving notice in connection with Hazardous Substances.

Further, for purposes of clauses (b) and (c), "special costs" or "special procedures" shall mean costs or procedures, as the case may be, that would not be incurred but for the nature of the Hazardous Substances as Hazardous Substances instead of non-hazardous materials (and in no event shall "special costs" or "special procedures" mean costs or procedures incurred in the removal of any materials, property or equipment that (i) contain Hazardous Substances as a component material, or which component materials are inherently hazardous (i.e., copper piping/wiring), and (ii) are ordinarily and customarily used in connection with first class office use, such as the component parts of light bulbs, joint compounds, ordinary building materials and the like). The report shall include reasonable detail concerning the clean-up location, the tests run and the analytic results.

If Tenant fails to perform its obligations under this Section 10.07, without limiting any other right or remedy, Landlord may, on five (5) Business Days' prior written notice to Tenant perform such obligations at Tenant's expense, and Tenant shall promptly reimburse Landlord upon demand for all costs and expenses incurred by Landlord in connection with such work. In addition, any such reimbursement shall include a [***] administrative fee [***] to cover Landlord's overhead in undertaking such work. Tenant's obligations under this Section 10.07 shall survive the expiration or earlier termination of this Lease.

ARTICLE 11. ROOFTOP LICENSE; ANTENNAS

11.01. Rooftop License. Effective as of the Commencement Date and subject to Legal Requirements, including without limitation Federal Aviation Administration height restrictions, Landlord grants Tenant the appurtenant and irrevocable (except upon the expiration or earlier termination of this Lease) rights at no additional rental charge, but otherwise subject to the terms and conditions of this Lease, to install, operate, maintain, repair, replace, upgrade and remove, at no additional cost to Tenant and solely for accessory use to operations within the Premises, certain equipment customarily installed on rooftops at Class A office and laboratory buildings in the City of Boston including, without limitation, cable, wiring, rooftop antennae, satellite dishes, microwave dishes and other equipment associated with telecommunications on the roof of the Building (the "Rooftop Equipment") in locations reasonably approved by Landlord (Tenant acknowledging that Landlord requires certain rooftop areas on the roof of the upper mechanical penthouse of the Building for use by other tenants in the Building and for use

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by Landlord) and as necessary to connect such equipment, in the common areas of the Building.

11.02. Installation and Maintenance of Rooftop Equipment. Tenant shall install the Rooftop Equipment at its sole cost and expense (except as otherwise provided with respect to the Finish Work), at such times and in such manner as Landlord may reasonably designate and in accordance with all of the applicable provisions of this Lease regarding Tenant Work. Tenant shall not install or operate the Rooftop Equipment until it receives prior written approval of the Construction Documents in accordance with Section 10.05(a). Landlord may withhold approval of the installation or operation of the Rooftop Equipment if the same reasonably would be expected to damage the structural integrity of the Building or interfere with Building operations or systems.

Tenant shall engage Landlord's roofer (or another roofing contractor reasonably approved by Landlord and approved by Landlord's roof manufacturer) before beginning any rooftop installations or repairs of the Rooftop Equipment, whether under this Article 11 or otherwise, and shall always comply with the roof warranty governing the protection of the roof and modifications to the roof. Tenant shall obtain a letter from Landlord's roof manufacturer following completion of such work stating that the roof warranty remains in effect, if required pursuant to the terms of the roof warranty. Tenant, at its sole cost and expense, shall inspect areas on the rooftop where the Rooftop Equipment is located at least twice annually and correct any loose bolts, fittings or other appurtenances and shall repair any damage to the roof caused by the installation or operation of the Rooftop Equipment. Tenant covenants that the installation, existence, maintenance and operation of the Rooftop Equipment shall not violate any Legal Requirements or constitute a nuisance under law. Tenant shall pay Landlord on demand (i) all applicable taxes or governmental charges, fees, or impositions imposed on Landlord because of Tenant's use of the Rooftop Equipment under this Article 11 and (ii) the amount of any increase in Landlord's insurance premiums as a result of the installation or existence of the Rooftop Equipment. Landlord shall provide in every other lease of space in the Building that permits rooftop access, and in

every license or other agreement regarding use of the roof of the Building, (any of the foregoing, a “Rooftop Agreement”) that if such other tenant’s rooftop equipment interferes with Tenant’s Rooftop Equipment, such other tenant will remove or relocate its equipment as necessary to avoid such interference. Landlord assumes no responsibility for interference in the operation of the Rooftop Equipment caused by other tenants’ equipment, or for interference in the operation of other tenants’ equipment caused by the Rooftop Equipment, but Landlord shall reasonably cooperate with Tenant (at no cost to Landlord) to resolve any such interference and shall use commercially reasonable efforts to (at no cost to Landlord) enforce Landlord’s rights under any Rooftop Agreements to prevent such interference.

11.03. Interference by Rooftop Equipment. If Tenant’s Rooftop Equipment (i) causes physical damage to the structural integrity of the Building, or (ii) materially, adversely interferes with any of the Building’s mechanical or other systems, Tenant shall within five (5) business days of notice (which may be by e-mail if given to

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vertex_operations@vrtx.com or an alternative e-mail address provided to Landlord in writing from time to time) of a claim of interference or damage reasonably cooperate with Landlord to determine the source of the damage or interference and effect a prompt solution at Tenant’s expense (if Rooftop Equipment caused such interference or damage). In the event Tenant disputes Landlord’s allegation that Rooftop Equipment is causing a problem with the Building (including, but not limited to, the electrical, HVAC, and mechanical systems of the Building), in writing delivered within five (5) days of receiving Landlord’s notice claiming such interference, then Landlord and Tenant shall meet to discuss a solution, and if within seven (7) days of their initial meeting Landlord and Tenant are unable to resolve the dispute, then the matter shall be submitted to arbitration in accordance with the provisions set forth below.

The parties shall direct the Boston office of the AAA to appoint an arbitrator who shall have a minimum of ten (10) years’ experience in commercial real estate disputes and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years. Both Landlord and Tenant shall have the opportunity to present evidence and outside consultants to the arbitrator.

The arbitration shall be conducted in accordance with the expedited commercial arbitration rules of the AAA insofar as such rules are not inconsistent with the provisions of this Lease (in which case the provisions of this Lease shall govern). The cost of the arbitration (exclusive of each party’s witness and attorneys’ fees, which shall be paid by such party) shall be borne equally by the parties. Any such arbitration shall be commenced within ten (10) days after demand (or, if later, appointment of the arbitrator).

Within ten (10) days of appointment, the arbitrator shall determine whether or not the Rooftop Equipment is causing a problem with the Building or Property and/or any other tenants’ equipment in the Building or Property as set forth above, and the appropriate resolution, if any. The arbitrator’s decision shall be final and binding on the parties. If Tenant shall fail to cooperate with Landlord in resolving any such interference or if Tenant shall fail to implement the arbitrator’s decision within twenty (20) days after it is issued, Landlord may at any time thereafter and at Tenant’s sole costs and expense relocate the item(s) of the Rooftop Equipment in dispute in a manner consistent with the arbitral decision in addition to pursuing any other remedies under this Lease.

11.04. Relocation of Rooftop Equipment. Based solely on Landlord’s good faith determination that such a relocation is necessary for the use of the upper penthouse roof for retail and restaurant tenants of the Building, Landlord reserves the right to cause Tenant to relocate any (x) Rooftop Equipment or (y) any other pipes, ducts, conduits, wires and appurtenant fixtures, in each case to the extent necessary for use of, and access to, the lower penthouse roof to comparably functional space on the roof, penthouse, or Premises, as applicable (which space shall be subject to the prior written approval of Tenant, which approval shall not be unreasonably withheld, conditioned or delayed) by giving Tenant prior notice of such intention to relocate. If within thirty (30) days after receipt of such notice Tenant has not agreed with Landlord on the space to which such equipment is to be relocated, the timing of such relocation, and the terms of such

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relocation, then the parties may arbitrate the dispute in accordance with the process set forth in Section 11.03 above. Landlord agrees to pay the reasonable cost of moving such equipment to such other space, taking such other steps necessary to ensure comparable functionality of equipment, and finishing such space to a condition comparable to the then condition of the current location of such equipment. Tenant shall arrange for the relocation of the affected equipment within sixty (60) days after a comparable space is agreed upon or selected by Landlord. Any actions by Landlord in connection with a relocation under this Section 11.04 shall be performed in a manner designed to minimize interference with Tenant’s business.

**ARTICLE 12.
DAMAGE OR DESTRUCTION; CONDEMNATION**

12.01. Damage or Destruction of Premises. If the Premises or any part thereof shall be damaged by fire or other insured casualty, then, subject to the last paragraph of this Section, Landlord shall proceed with diligence, subject to then applicable Legal Requirements, and at the expense of Landlord (but only to the extent of insurance proceeds made available to Landlord by any mortgagee of the Building and any ground lessor) to repair or cause to be repaired such damage (other than any Tenant Work). In no event shall Landlord be responsible for contributing more than [***] of any deductible or co-payment towards the completion of such repairs unless (a) (i) Tenant and any mortgagee of the Property have agreed that Landlord may carry a larger deductible and (ii) Tenant pays its Pro Rata Share of the amount of any such deductible or co-payment in excess of [***] (it being the intent that Tenant shall share in the payment of such increased deductible in consideration for any savings of Operating Expenses that would result) or (b) Landlord is then maintaining a higher deductible in violation of the provisions of Section 7.04. All such repairs made necessary by the negligence or willful misconduct of Tenant shall be made at the Tenant’s expense to the extent that the cost of such repairs are less than the deductible amount in Landlord’s insurance policy. The cost of any repairs performed under this Section by Landlord at Tenant’s expense (including costs of design fees, financing, and charges for administration, overhead and construction management services by Landlord and Landlord’s contractor) shall constitute Additional Rent hereunder. All repairs to and replacements of Tenant’s personal property shall be made by and at the expense of Tenant, and Tenant shall promptly restore any Tenant Work, or, if the Lease has been terminated pursuant to

the provisions of this Section 12.01, demolish and remove any damaged Tenant Work prior to surrendering the Premises (but in any event only to the extent of insurance proceeds received by Tenant or, if Tenant fails to carry any required insurance hereunder, the insurance proceeds that would have been received by Tenant if Tenant had been maintaining the required coverages). If the Premises or any part thereof shall have been rendered unfit for use and occupation for the Permitted Use hereunder by reason of such damage, the Base Rent, Tenant's Pro Rata Share of Total Operating Costs, and (other than then-outstanding amounts of Rent and reimbursements or payments that are not in the nature of an occupancy charge, such as applicable reimbursements of Landlord's third-party costs under Section 10.05, allocations of excess security services under Section 9.07, reimbursements of Tenant Shortfall under Section 18.01(b), reimbursements under

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Section 10.04(b), or Additional Rent payable under this Article 12) all other Additional Rent, or a just and proportionate part thereof, according to the nature and extent to which the Premises shall have been so rendered unfit, shall be abated until the Premises (except as to Tenant Property, and any Tenant Work) shall have been restored as nearly as practicable to the condition in which they were immediately prior to such fire or other casualty, plus an additional thirty (30) day period. Landlord shall not be liable for delays in the making of any such repairs that are due to Force Majeure, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage, provided, however, that Base Rent, Tenant's Pro Rata Share of Total Operating Costs, and all other Additional Rent (other than then-outstanding amounts of Rent and reimbursements or payments that are not in the nature of an occupancy charge, such as applicable reimbursements of Landlord's third-party costs under Section 10.05, allocations of excess security services under Section 9.07, reimbursements of Tenant Shortfall under Section 18.01(b), reimbursements under Section 10.04(b), or Additional Rent payable under this Article 12) shall be abated to the extent set forth above during any delay not caused by Tenant.

If (i) the Premises are so damaged by fire or other casualty (whether or not insured) at any time during the last eighteen (18) months of the Term, as the Term may have been extended, that the cost to repair such damage is reasonably estimated to exceed one-half of the total Base Rent payable hereunder for the period from the estimated completion date of repair until the end of the Term, (ii) Legal Requirements prohibit Landlord from restoring the Building to the condition substantially existing prior to such casualty, or (iii) at any time damage to the Building occurs by fire or other insured casualty and any mortgagee or ground lessor shall refuse to permit insurance proceeds to be utilized for the repair or replacement of such property and Landlord determines not to repair such damage, then and in any of such events, this Lease and the term hereof may be terminated at the election of Landlord by a notice from Landlord to Tenant within sixty (60) days, or such longer period as is required to complete arrangements with any mortgagee or ground lessor regarding such situation, following such fire or other casualty; the effective termination date pursuant to such notice shall be not less than thirty (30) days after the day on which such termination notice is received by Tenant. If any mortgagee or ground lessor refuses to permit insurance proceeds to be applied to replacement of the Premises, and neither Landlord, such mortgagee or ground lessor has commenced such replacement within three (3) months following adjustment of such casualty loss with the insurer, then Tenant may, until any such replacement commences, terminate this Lease by giving at least thirty (30) days prior written notice thereof to Landlord and such termination shall be effective on the date specified if such replacement has not then commenced. In the event of any termination, the Term shall expire as though such effective termination date were the date originally stipulated in Article 1 for the end of the Term and the Base Rent and Additional Rent (to the extent not abated as set forth above) shall be apportioned as of such date.

If less than eighteen (18) months remain in the Term at the time of such casualty [***] (ii) in Landlord's reasonable estimate the time to restore the Premises will take more than one-half of the then remaining Term, then Tenant may upon thirty (30) days'

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prior written notice terminate this Lease provided that such termination election shall be null and void if Landlord completes such restoration within thirty (30) days of such notice or if Tenant exercises its right to extend the term pursuant to Section 3.03(a) of this Lease.

12.02. Eminent Domain. In the event that all or any substantial part of the Premises or the Building or the common areas at the Property necessary for use and operation of the Premises or Building are taken (other than for temporary use, hereafter described) by public authority under power of eminent domain (or by conveyance in lieu thereof), then by notice given within three months following the recording of such taking (or conveyance) in the appropriate registry of deeds, this Lease may be terminated at either party's election thirty (30) days after such notice, and Rent shall be apportioned as of the date of termination. If this Lease is not terminated as aforesaid, subject to the rights of mortgagees Landlord shall within a reasonable time thereafter, diligently restore what may remain of the Premises (excluding any personal property of Tenant, Tenant Work or other items installed or paid for by Tenant that Tenant is permitted or may be required to remove upon expiration) to a tenantable condition for occupancy by Tenant for the Permitted Uses. In the event some portion of rentable floor area of the Premises is taken (other than for temporary use) and this Lease is not terminated, Base Rent shall be proportionally abated for the remainder of the Term. In the event of any taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking that is within the Term, provided that if such taking shall remain in force at the expiration or earlier termination of this Lease, then Tenant shall pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations hereunder with respect to surrender of the Premises and upon such payment shall be excused from such obligations.

If in the last two years of the Term of this Lease, any Taking renders 50% or more of the Premises untenable, and in either case restoration of the effects of such Taking cannot be repaired or restored in Landlord's reasonable estimate within the lesser of one (1) year or one-half of the then-remaining Term from the date of such Taking, Tenant may upon thirty (30) days' prior written notice terminate this Lease provided that such termination election shall be null and void if Landlord completes such restoration within thirty (30) days of such notice or if Tenant exercises its right to extend the Term pursuant to Section 3.03(a) of this Lease.

Any damages that are expressly awarded to Tenant on account of its relocation expenses, and specifically so designated, shall belong to Tenant. Except as provided in the preceding sentence of this paragraph, Landlord reserves to itself, and Tenant releases and assigns to Landlord, all rights to damages accruing on account of any taking or by reason of any act of any public authority for which damages are payable, provided, however, that Tenant shall

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expense of the Excess Costs actually paid by Tenant under the Work Letter, amortized on a straight line item over the initial Term of this Lease. Subject to its rights hereunder, Tenant agrees to execute such further instruments of assignment as may be reasonably requested by Landlord, and to turn over to Landlord any damages that may be recovered in any proceeding or otherwise.

**ARTICLE 13.
ASSIGNMENT AND SUBLETTING**

13.01. Landlord's Consent Required. Except for a Permitted Transfer, as defined below, Tenant shall not transfer any part of the Premises or of its interest in this Lease to any other entity, whether by sale, assignment, mortgage, sublease, license, transfer, operation of law (including, without limitation by merger, consolidation, sale or other transfer of all or substantially all of the stock or assets of Tenant, or otherwise) or act of Tenant (each a "Transfer") without Landlord's prior written consent as provided in Section 13.02 below. Consent to one Transfer does not imply consent to any other Transfer or waive the consent requirement. Any attempted Transfer without consent shall be void at the election of Landlord. Any entity to which a Transfer is made is a "Transferee."

The following transactions (any of them, a "Permitted Transfer") shall not require the consent of Landlord provided that Landlord shall receive prior notice thereof plus reasonable evidence upon closing that the transaction is in fact one of the following (and provided further that the proposed Transfer complies with all other provisions of this Lease, including, without limitation, this Article 13 (other than the first paragraph of this Section 13.01), does not alter Landlord's rights under this Lease, and does not impose any additional obligation on Landlord):

(a) Any Transfer to an entity acquiring all or substantially all of the stock or assets of Tenant, whether by way of merger, consolidation, acquisition or otherwise (any such entity, a "Successor Entity"), so long as the resulting tenant under the Lease has a creditworthiness at least equal to or greater than Tenant's as of the date of this Lease or at the time of proposed Transfer, whichever is greater; or

(b) Any Transfer to an entity directly or indirectly controlled, controlling, or under common control with Tenant (any such entity, a "Related Entity") so long as in the case of an assignment either the original Tenant or the assignee has a creditworthiness at least equal to or greater than Tenant's as of the date of this Lease or at the time of proposed Transfer, whichever is greater. For purposes of this clause (b), "control" shall mean possession of more than 50 percent ownership of the shares of beneficial interest of the entity in question together with the power to control and manage the affairs thereof either directly or by election of directors and/or officers.

For purposes of this Section 13.01, "substantially all" of Tenant's assets shall include without limitation the transfer of assets having a value of more than 75% of the total value, as opposed to number, of Tenant's assets other than (i) by license of the right to use pharmaceutical products developed by Tenant in the ordinary course of Tenant's

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business, or (ii) in an arm's length transaction in which Tenant obtains market value for such assets and the consideration paid to Tenant is retained by Tenant and available to pay amounts due under the Lease as they become due, and/or otherwise used by Tenant in the ordinary course of business (i.e., such consideration is not distributed to stockholders or otherwise transferred to another party).

Notwithstanding anything to the contrary herein, so long as Tenant's shares are traded on a nationally recognized stock exchange, any sale of Tenant's shares shall not be deemed a Transfer subject to the provisions of this Article 13.

Tenant acknowledges that the covenants contained in this Section 13.01 are material to the transaction contained herein and that Landlord shall have, in addition to any other rights and remedies available under this Lease or at law, the right to seek injunctive relief and/or specific performance in order to enforce such covenants.

13.02. Landlord's Consent. Tenant's request for Landlord's consent to any Transfer shall be made at least thirty (30) days prior to the effective date of the proposed Transfer, describe the details of the proposed Transfer, including the name, business and financial condition of the prospective Transferee, and the financial terms of the proposed Transfer (e.g., payments in consideration of the proposed Transfer, term, rent and security deposit); Tenant shall also provide any other information Landlord reasonably deems relevant, including without limitation the proposed form of Transfer documentation. Landlord shall not unreasonably withhold, condition or delay (more than ten (10) business days following receipt of Tenant's request for consent with all information required herein) its consent to any assignment or subletting of the Premises, provided that Tenant is not then in default under this Lease (following the giving of notice of such default, where applicable) but it shall not be deemed unreasonable for Landlord to deny consent for the following reasons, among others: **[***]**.

[*]**.

At Landlord's election, Tenant shall pay to Landlord as Additional Rent fifty percent (50%) of the Profits on any Transfer other than a Permitted Transfer as and when received by Tenant, unless Landlord notifies Tenant and the Transferee that the Transferee shall pay Landlord's share of the Profits directly to Landlord. "Profits" means (A) all rent, fees and other consideration paid for or in respect of the Transfer, including fees in excess of reasonable amounts under any collateral agreements (the intent being to prohibit Tenant from shifting occupancy costs to collateral agreements), less (B) the Rent and other sums payable under this Lease (or if the Transfer is a sublease of part of the Premises, allocable to the subleased premises) and all reasonable costs and

expenses directly incurred by Tenant for reasonable real estate broker's commissions and reasonable costs of renovation or construction of tenant improvements required by the Transfer, and reasonable legal fees (collectively, "Transfer Expenses"). Without limiting the generality of the first sentence of this section, any lump-sum payment or series of payments (including for the purchase or use of Tenant Work and Finish Work) on account of any Transfer shall be deemed to be Profits to the extent to which such lump sum payments exceed the sum of (x) the present value of the Rent and other charges to be

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paid hereunder discounted at the rate of four percent (4%) and (y) Tenant's Transfer Expenses (pro rated based (a) on floor area in the case of a subletting, license or other occupancy of less than the entire area of the Premises and (b) over the remaining Term). Tenant may recover these reasonable costs and expenses before paying Profits to Landlord. Tenant shall give Landlord a written statement certifying all amounts to be paid from any Transfer (including any collateral agreements) within thirty (30) days after the transfer agreement is signed and from time to time thereafter on Landlord's request, and Landlord may inspect Tenant's books and records to verify the accuracy of such statements. On written request, Tenant shall promptly furnish to Landlord copies of all Transfer documents, certified by Tenant to be complete, true and correct.

13.03. No Release. Notwithstanding any Transfer and whether or not the same is consented to, the liability of Tenant to Landlord shall remain direct and primary. Any Transferee (other than a subtenant of less than all or substantially all of Tenant's interest in the Premises) shall be jointly and severally liable with Tenant to Landlord for the performance of all of Tenant's covenants under this Lease; and such Transferee shall upon request execute and deliver such instruments as Landlord reasonably requests in confirmation thereof (and agrees that its failure to do so shall be a default). Tenant hereby irrevocably authorizes Landlord, upon the occurrence of a default (following the giving of notice of such default, where applicable) to collect Rent from any Transferee (and upon notice any Transferee shall pay directly to Landlord) and apply the net amount collected to the Rent and other charges reserved under this Lease. No Transfer (whether or not consented to by Landlord, and whether or not such consent is required) shall be deemed a waiver of the provisions of this Section, or the acceptance of the Transferee as a tenant, or a release of Tenant from direct and primary liability for the performance of all of the covenants of this Lease. The consent by Landlord to any Transfer shall not relieve Tenant or any Transferee from the obligation of obtaining the express consent of Landlord to any modification of such Transfer or a further Transfer by Tenant or such Transferee. Notwithstanding anything to the contrary in the documents effecting the Transfer, Landlord's consent shall not alter in any manner whatsoever the terms of this Lease, to which any Transfer at all times shall be subject and subordinate.

13.04. [*]** In the event that Tenant disputes [***] either party may submit such dispute to mediation and the parties shall seek to identify within [***] a mutually acceptable mediator, who shall mediate the dispute in accordance with the AAA Commercial Mediation Rules, except that the mediator selected pursuant to this paragraph shall act as the administrator of the mediation and shall have all of the powers and duties conferred on the AAA pursuant to said Rules. Any conflicts between said Rules and this paragraph shall be resolved in favor of this paragraph. If the parties are unable or fail timely to agree upon the mediator, upon request of either party, the dispute shall be submitted for mediation to Boston office of the AAA or its successor entity. If neither the AAA nor any successor entity exists at the time of the dispute, the dispute shall be submitted for mediation to the largest private provider of dispute resolution services then doing business in the greater Boston area.

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Attendance at the mediation shall be limited to the parties and their counsel. All information exchanged or presented to the mediator in these proceedings, whether in oral, written, or other form, and the results of the proceedings, shall be confidential and except as required by law shall not be disclosed to any person or entity, without prior written permission from both parties. A party offering evidence or information in mediation shall not be precluded thereby from offering that evidence or information in any other proceeding. The mediation proceeding shall take place, and the mediator shall issue his or her report, within [***] following the submission of the dispute to mediation. Following any such mediation, if any such dispute remains unresolved, either party may initiate litigation to resolve such dispute and, notwithstanding anything to the contrary contained in this paragraph, the mediator's report shall be admissible in any such court proceeding as evidence.

[***].

13.05. [*]** Tenant shall deliver to Landlord (i) a true and complete copy of the fully executed instrument or instruments evidencing any Transfer, and (ii) a written agreement of the Transferee agreeing with Landlord to perform and observe all of the terms, covenants, and conditions of this Lease undertaken by such Transferee. [***].

ARTICLE 14. EVENTS OF DEFAULT AND REMEDIES

14.01. Covenants and Conditions. Tenant's performance of each of its obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the Premises is conditioned upon such performance. Time is of the essence in performance of all covenants and conditions set forth herein.

14.02. Events of Default. If Tenant fails to pay amounts of Base Rent or regular monthly recurring payments of Additional Rent (such as Operating Costs or parking charges) when due and such default continues for five (5) days, or, with respect to any non-recurring payment of Additional Rent, fails to pay any such Additional Rent when due and such default continues for five (5) days following notice from Landlord, or if more than three default notices are properly given in any 12-month period, or if Tenant (or any Transferee of Tenant) makes any Transfer of the Premises in violation of this Lease, or if a petition is filed by Tenant (or any Transferee) for insolvency or for appointment of a receiver, trustee or assignee or for adjudication, reorganization or arrangement under any bankruptcy act, or if any similar petition is filed against Tenant (or any transferee) and such petition filed against Tenant or any transferee is not dismissed within sixty (60) days thereafter, or if any representation or warranty made by Tenant is untrue in any material respect, or if Tenant fails to perform any other covenant or condition hereunder and such default continues longer than any period (following notice, if expressly required) expressly provided for the

correction thereof (and if no period is expressly provided then for thirty (30) days after notice is given, provided, however, that such period shall be reasonably extended in the case of any such non-monetary default that cannot be cured within such period (but in any event shall not exceed 180 days in the aggregate) only if the matter complained of can be cured, Tenant

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begins promptly and thereafter diligently completes the cure, and Tenant gives Landlord notice of such intent to cure within ten (10) days after notice of such default), then, and in any such case, Landlord and its agents lawfully may, in addition to any remedies for any preceding breach, immediately or at any time thereafter without further demand or notice in accordance with process of law, enter upon any part of the Premises in the name of the whole, or mail or deliver a notice of termination of the Term of this Lease addressed to Tenant at the Premises or any other address herein, and thereby terminate the Term and repossess the Premises as of Landlord's former estate. Any default beyond applicable notice and cure periods by Tenant is referred to herein as an "Event of Default". At Landlord's election such notice of termination may be included in any notice of default, subject to any applicable cure period. Upon such entry or mailing the Term shall terminate, all executory rights of Tenant and all obligations of Landlord will immediately cease, and Landlord may expel Tenant and all persons claiming under Tenant and remove their effects without any trespass and without prejudice to any remedies for arrears of Rent or prior breach; and Tenant waives all statutory and equitable rights to its leasehold (including rights in the nature of further cure or redemption, if any, to the extent such rights may be waived). If Landlord engages attorneys in connection with any failure to perform by Tenant hereunder, Tenant shall reimburse Landlord for the reasonable fees of such attorneys on demand as Additional Rent. Without implying that other provisions do not survive, the provisions of this Article shall survive the Term or earlier termination of this Lease.

14.03. Remedies for Default.

(a) Reletting Expenses Damages. If the Term of this Lease is terminated for default, Tenant covenants, as an additional cumulative obligation after such termination, to pay all of Landlord's reasonable costs, including reasonable attorneys fees, related to Tenant's default and in collecting amounts due and all reasonable expenses in connection with reletting, including tenant inducements to new tenants, brokerage commissions, fees for legal services, expenses of preparing the Premises for reletting and the like (together, "Reletting Expenses"). It is agreed that Landlord may (i) relet the Premises or part or parts thereof for a term or terms that may be equal to, less than or exceed the period that would otherwise have constituted the balance of the Term, and may grant such tenant inducements, including free rent, as Landlord in its sole discretion considers advisable, and (ii) make such alterations to the Premises as Landlord in its sole discretion considers advisable, and no failure to relet or to collect rent under any reletting shall operate to reduce Tenant's liability. Landlord shall use reasonable efforts to relet the Premises. Any such obligation to relet will be subject to Landlord's reasonable objectives of developing its property and the Project in a harmonious manner with appropriate mixes of tenants, uses, floor areas, terms and the like. Landlord's Reletting Expenses together with all other sums provided for whether incurred prior to or after such termination will be due upon demand.

(b) Termination Damages. If the Term of this Lease is terminated for default, unless and until Landlord elects lump sum liquidated damages described in

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the next paragraph, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay punctually to Landlord all the sums and perform all of its obligations in the same manner as if the Term had not been terminated. In calculating such amounts Tenant will be credited with the net proceeds of any rent then actually received by Landlord from a reletting of the Premises after deducting all Rent that has not then been paid by Tenant, provided that Tenant shall never be entitled to receive any portion of the re-letting proceeds, even if the same exceed the Rent originally due hereunder.

(c) Lump Sum Liquidated Damages. If this Lease is terminated for default, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay forthwith to Landlord at Landlord's election made by written notice at any time after termination, as liquidated damages a single lump sum payment equal to either (x) the sum of (i) all sums to be paid by Tenant and not then paid at the time of such election, plus, (ii) the excess of the present value of all of the Rent reserved for the residue of the Term (with Additional Rent deemed to increase 5% in each year on a compounding basis) over the present value of the aggregate fair market rent and Additional Rent payable (if less than the Rent payable hereunder) on account of the Premises during such period, which fair market rent shall be reduced by reasonable projections of vacancies and by Landlord's Reletting Expenses described above to the extent not theretofore paid to Landlord) or (y) twelve (12) months (or such lesser number of months as may then be remaining in the Term) of Base Rent and Additional Rent at the rate last payable by Tenant under this Lease. (The Federal Reserve discount rate (or equivalent) shall be used in calculating such present values under clause (x)(ii), and in the event the parties are unable to agree on such fair market rent, the matter shall be submitted, upon the demand of either party, to the office of the AAA closest to the Property, with a request for arbitration in accordance with the rules of the Association by a single arbitrator who shall be a licensed real estate broker with at least ten (10) years experience in the leasing of 1,000,000 or more square feet of floor area of buildings similar in character and location to the Premises, and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years, whose decision shall be conclusive and binding on the parties.)

(d) Remedies Cumulative; Jury Waiver; Late Performance. The remedies to which Landlord may resort under this Lease, and all other rights and remedies of Landlord are cumulative, and any two or more may be exercised at the same time except where this Lease specifically provides otherwise, such as the provisions of Sections 14.03(b) and (c) and the provisions of Sections 14.03(c)(x) and (y). Nothing in this Lease shall limit the right of Landlord to prove and obtain in proceedings for bankruptcy or insolvency an amount equal to the maximum allowed by any statute or rule of law in effect at the time, but not to exceed the limitations set forth in this Section 14.03; and Tenant agrees that the fair value for occupancy of all or any part of the Premises at all times shall never be less than the Base Rent and all Additional Rent payable from time to time. Tenant shall also indemnify and hold Landlord harmless in the manner provided in Section 9.02 if Landlord shall become or be made

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a party to any claim or action necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. LANDLORD AND TENANT WAIVE TRIAL BY JURY IN ANY ACTION TO WHICH THEY ARE PARTIES, and further agree that any action arising out of this Lease (except an action for possession by Landlord, which may be brought in whatever manner or place provided by law) shall be brought in the Trial Court, Superior Court Department, in the county where the Premises are located.

(e) Waivers; Accord and Satisfaction. No consent by Landlord or Tenant to any act or omission that otherwise would be a default shall be construed to permit other similar acts or omissions. Neither party's failure to seek redress for violation or to insist upon the strict performance of any covenant, nor the receipt by Landlord of Rent with knowledge of any breach of covenant, shall be deemed a consent to or waiver of such breach. No breach of covenant shall be implied to have been waived unless such is in writing, signed by the party benefiting from such covenant and delivered to the other party; and no acceptance by Landlord of a lesser sum than the Rent due shall be deemed to be other than on account of the earliest installment of such Rent. No endorsement or statement on any check or in any letter accompanying any check or payment shall be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other right or remedy. The acceptance by Landlord of any Rent following the giving of any default and/or termination notice shall not be deemed a waiver of such notice. Tenant shall not interpose any counterclaim or counterclaims (other than compulsory counterclaims that would be lost if not interposed) in a summary proceeding or in any action based on non-payment of Rent.

(f) Landlord's Curing. If Tenant fails to perform any covenant within any applicable cure period, then Landlord at its option may (without waiving any right or remedy for Tenant's non-performance) at any time thereafter perform the covenant for the account of Tenant. Tenant shall upon demand reimburse Landlord's cost (including reasonable attorneys' fees) of so performing on demand as Additional Rent. Notwithstanding any other provision concerning cure periods, Landlord may cure any non-performance for the account of Tenant after such notice to Tenant, if any, as is reasonable under the circumstances if curing prior to the expiration of the applicable cure period is reasonably necessary to prevent likely damage to the Premises or Building or possible injury to persons, or to protect Landlord's interest in the Premises or Building.

ARTICLE 15. PROTECTION OF LENDERS

15.01. Subordination and Superiority of Lease. Tenant agrees that this Lease and the rights of Tenant hereunder will be subject and subordinate to any lien of the holder of any future mortgage, and to the rights of any lessor under any ground or improvements lease of the Building (all mortgages and ground or improvements leases of any priority are

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collectively referred to in this Lease as "mortgage," and the holder or lessor thereof from time to time as a "mortgagee"), and to all advances and interest thereunder and all modifications, renewals, extensions and consolidations thereof; provided that any subordination of this Lease shall be conditioned upon Landlord delivering to Tenant a written, recordable subordination, non-disturbance and attornment agreement from the mortgagee seeking to have this Lease subordinated to its interest in the form attached as Exhibit 15.01 (or in such other form as such mortgagee may reasonably request). Tenant shall not be required to execute any subordination, non-disturbance and attornment agreement and this Lease shall not be subordinate to any junior mortgage where a mortgagee having priority over such junior mortgage has prohibited execution of a further subordination, nondisturbance and attornment agreement in any agreement with Tenant and has not consented to Tenant so executing a subordination, nondisturbance and attornment agreement with respect to such junior mortgage. Landlord represents and warrants that the only mortgage to which this Lease is subject as of the execution date is that certain mortgage (the "Existing Mortgage") to Anglo Irish Bank Corporation plc, dated September 29, 2005, and recorded at Book 38144, Page 301 of the Suffolk County Registry of Deeds. Landlord shall provide to Tenant, within 45 days after the date of this Lease, a written agreement from the lender (and upon which Tenant may rely) under the Existing Mortgage confirming that such lender will deliver a discharge or partial release of the Existing Mortgage upon the issuance of a building permit and closing of the construction loan for the Base Building Work.

Tenant agrees that this Lease shall survive the merger of estates of ground (or improvements) lessor and lessee, if any. Until a mortgagee (either superior or subordinate to this Lease) forecloses Landlord's equity of redemption (or terminates or succeeds to a new lease in the case of a ground or improvements lease) no mortgagee shall be liable for failure to perform any of Landlord's obligations (and such mortgagee shall thereafter be liable only after it succeeds to and holds Landlord's interest and then only as limited herein). Tenant shall, if requested by Landlord or any mortgagee, give notice of any alleged non-performance on the part of Landlord to any such mortgagee provided that an address for such mortgagee has been designated to Tenant in writing, and Tenant agrees that such mortgagee shall have a separate, consecutive reasonable cure period of no less than thirty (30) days (to be reasonably extended in the same manner Landlord's cure period is to be extended and for such additional periods as is necessary to allow such Mortgagee to take possession of the Property) following Landlord's cure period during which such mortgagee may, but need not, cure any non-performance by Landlord. The agreements in this Lease with respect to the rights and powers of a mortgagee constitute a continuing offer to any person that may be accepted by taking a mortgage (or entering into a ground or improvements lease) of the Premises. This Section shall be self-operative, but in confirmation thereof, Tenant shall execute and deliver the subordination, nondisturbance and attornment agreement in the form of Exhibit 15.01 (or in such other form as such mortgagee may reasonably request).

15.02. Attornment. If Landlord's interest in the Property is acquired by mortgagee or purchaser at a foreclosure sale, Tenant shall, at the election of such mortgagee or purchaser, attorn to the transferee of or successor to Landlord's interest in the Property

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and recognize it as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between the mortgagee and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease, except that the mortgagee shall not be (i) liable in any way to Tenant for any act or omission, neglect or default on the part of Landlord under this Lease (nothing in this clause (i) being deemed to relieve any mortgagee succeeding to the interest of Landlord hereunder of its continuing obligations as landlord under this Lease from and after the date of such succession), (ii) responsible for any monies owing by or on deposit with Landlord to the credit of Tenant (except to the extent any such deposit is actually received by such mortgagee), (iii) subject to any counterclaim or setoff which theretofore accrued to Tenant against Landlord, (iv) bound by any amendment or modification of this Lease subsequent to such mortgage, or by any previous prepayment of Rent for more than one (1) month, which was not approved in writing by the mortgagee, or bound by the indemnity set forth in Section 9.04, (v) liable beyond mortgagee's interest in the Property, (vi) responsible for the performance of any work to be done by the Landlord under this Lease to render the Premises ready for occupancy by the Tenant or the payment of the Finish Work Allowance, or (vii) required to remove any person occupying the Premises or any part thereof, except if such person claims under the mortgagee. Tenant agrees that any present or future mortgagee may at its option unilaterally elect to subordinate, in whole or in part and by instrument in form and substance satisfactory to such mortgagee alone, the lien of its mortgagee (or the priority of its ground lease) to some or all provisions of this Lease. Nothing in the preceding sentences of this Section 15.02 shall prohibit Tenant from exercising its right to terminate this Lease pursuant to Section 3.01(c) and clause (x) of Section 3.01(e) of this Lease on the conditions set forth therein. Notwithstanding the foregoing, in the event that mortgagee or, other than an entity controlling, controlled by or under common control with Landlord, a purchaser at a foreclosure sale (a "Successor") succeeds to the interest of Landlord prior to the completion of Building (including Base Building and Finish Work), such Successor shall have thirty (30) days to send written notice to Tenant stating whether or not it intends to be bound to perform work remaining to be done by the Landlord under this Lease to render the Premises ready for occupancy by the Tenant and agrees to advance the Finish Work Allowance. For the purposes of the immediately preceding sentence, control shall have the meaning set forth in Section 13.01(b). In the event in such notice it states that it intends to be so bound, then such provisions of this Lease shall be binding on the Successor. In the event the Successor states that it does not intend to be so bound or fails to timely provide notice to Tenant within such thirty (30) day period, then (A) prior to the date that Tenant has made Tenant's first payment towards the Excess Costs under the FW Contract under the Work Letter, Tenant shall have the right, by written notice to the Successor (a "Succession Election Notice") within sixty (60) days following notice of such acquisition, to either (I) terminate this Lease, or (II) continue this Lease, deposit such Excess Costs in escrow with the Successor to be held and disbursed against the costs to construct the Finish Work as they are incurred on behalf of Tenant in the manner provided under the Work Letter, and complete the Finish Work itself at its expense and otherwise in accordance with the terms of this Lease and

(to the extent the Finish Work Allowance is not disbursed by the Successor) reduce the Rent by the amount of the unadvanced Finish Work Allowance amortized over the Term with interest at the rate of 8% per annum; or (B) from and after the date that Tenant has made Tenant's first payment towards the Excess Costs under the FW Contract under the Work Letter, Tenant shall have the right, by giving a Succession Election Notice to the Successor within sixty (60) days following notice of such acquisition, to either (X) terminate this Lease, or (Y) continue this Lease and complete the Finish Work itself at its expense and otherwise in accordance with the terms of this Lease and (to the extent the Finish Work Allowance is not disbursed by the Successor reduce the Rent by the amount of the unadvanced Finish Work Allowance amortized over the Term with interest at the rate of 8% per annum; provided, however, that the Successor can render any Succession Election Notice pursuant to clause (A) or (B), above, null and void and of no force and effect if, within thirty (30) days after the giving of such notice by Tenant, the Successor agrees to be bound by the applicable provisions of this Lease. Tenant's failure to give a Succession Election Notice in the time period(s) required above shall be deemed to be an election pursuant to the clause (II) or (Y) of the immediately preceding sentence, as applicable.

15.03. Rent Assignment. If from time to time Landlord assigns this Lease or the rents payable hereunder to any person, whether such assignment is conditional in nature or otherwise, such assignment shall not be deemed an assumption by the assignee of any obligations of Landlord; but, subject to the limitations herein including Sections 15.01 and 10.02(b), the assignee shall be responsible only for non-performance of Landlord's obligations that occur after it succeeds to, and only during the period it holds possession of, Landlord's interest in the Premises after foreclosure or voluntary deed in lieu of foreclosure.

15.04. Other Instruments. The provisions of this Article shall be self-operative; nevertheless, Tenant agrees to execute, acknowledge and deliver any subordination, attornment or priority agreements or other instruments conforming to the provisions of this Lease (and being otherwise commercially reasonable) from time to time requested by Landlord or any mortgagee, consistent with the terms of this Lease with respect to the rights of Tenant, and further agrees that its failure to do so within ten (10) days after written request shall be a default for which this Lease may be terminated without further notice. Without limitation, where Tenant in this Lease indemnifies or otherwise covenants for the benefit of mortgagees, such agreements are for the benefit of mortgagees as third party beneficiaries; and at the request of Landlord, Tenant from time to time will confirm such matters directly with such mortgagee.

15.05. Estoppel Certificates. Within ten (10) days after request by a party to this Lease, the other party shall execute, acknowledge and deliver a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of Base Rent and other charges and the time period covered; (iv) that to the knowledge of the party executing the certificate, the party requesting such certificate is not in default under this Lease (or, if in default, describing it in reasonable

detail); and (v) such other information with respect this Lease as may be reasonably requested or which any prospective purchaser or encumbrancer of the Property may require (which with respect to a statement requested of the Tenant may include whether the Tenant then meets the Financial Standard). [***]. The party receiving any such statement may deliver the statement to any such prospective purchaser or encumbrancer, or with respect to a statement requested by Tenant, Tenant's auditor, which may rely conclusively upon such statement as true and correct. The party requesting such estoppel certificate shall

promptly reimburse the other party upon written demand for the reasonable out-of-pocket attorneys' fees and expenses incurred to review, modify, and prepare such certificate, but in any event not to exceed \$1,500 in any one instance.

**ARTICLE 16.
MISCELLANEOUS PROVISIONS**

16.01. Landlord's Consent Fees. In addition to fees and expenses in connection with Tenant Work, as described in Section 10.05, Tenant shall pay Landlord's reasonable fees and expenses, including legal, engineering and other consultants' fees and expenses, incurred in connection with Tenant's request for Landlord's consent under Article 13 (Assignment and Subletting) or in connection with any other act by Tenant which requires Landlord's consent or approval under this Lease.

16.02. Notice of Landlord's Default. Tenant shall give notice of Landlord's failure to perform any of its obligations under this Lease to Landlord, and to any mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address have been given to Tenant. Landlord shall not be in default under this Lease unless Landlord (or such mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance requires more than thirty (30) days to cure, such period shall be reasonably extended in the case of any such non-performance that cannot be cured by the payment of money where such non-performance can be cured (but in any event shall not exceed 180 days in the aggregate), and Landlord begins promptly within said thirty (30) day period and thereafter diligently completes the cure. In no event shall Landlord be liable for indirect or consequential damages arising out of any default by Landlord under this Lease.

16.03. Quiet Enjoyment. Landlord agrees that, so long as Tenant is not in default under the terms of this Lease, Tenant shall lawfully and quietly hold, occupy and enjoy the Premises during the Term of this Lease without disturbance by Landlord or by any person claiming through or under Landlord, subject to the terms of this Lease.

16.04. Cooperation With Accounting. Upon the written request of Tenant, not more often than quarterly (other than as set forth in the Work Letter), Landlord will provide Tenant with financial information with respect to Operating Expenses and Taxes incurred to date for the then-current year (including capital expenditures for the Building even if not includable within Operating Expenses hereunder) to the extent available to Landlord, as is reasonably required by Tenant's accountants and auditors for Tenant to comply with lease accounting requirements applicable to Tenant (provided that nothing herein shall be deemed to expand, modify or limit Tenant's rights under Article 4 of this Lease, and any

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such information and Tenant's rights to the same shall be subject to the provisions of Section 4.06 as if it were an audit of Landlord's books and records). Tenant shall reimburse Landlord for the reasonable out-of-pocket costs to provide such information as Additional Rent within 30 days after invoice.

16.05. Notices. All notices, requests and other communications required under this Lease shall be in writing, addressed as specified in Article 1, and shall be (i) personally delivered, (ii) sent by certified mail, return receipt requested, postage prepaid, or (iii) delivered by a national overnight delivery service that maintains delivery records. All notices shall be effective upon delivery (or refusal to accept delivery). Either party may change its notice address upon written notice to the other party. Notices under this Lease may be given by counsel for either party.

16.06. No Recordation. Tenant shall not record this Lease. Either Landlord or Tenant may require that a statutory notice, short form or memorandum of this Lease executed by both parties be recorded. Tenant may record any subordination agreement (notifying Landlord of the date and book and page number) or request Landlord to record it on Tenant's behalf. The party requesting or requiring such recording shall pay all expenses, transfer taxes and recording fees.

16.07. Corporate Authority. Tenant warrants and represents that (a) Tenant is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) Tenant has the authority to own its property and to carry on its business as contemplated under this Lease; (c) Tenant has duly executed and delivered this Lease; (d) the execution, delivery and performance by Tenant of this Lease (i) are within the powers of Tenant, (ii) have been duly authorized by all requisite action, (iii) will not violate any provision of law or any order of any court or agency of government, or any agreement or other instrument to which Tenant is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of Tenant's property, except by the provisions of this Lease; and (e) this Lease is a valid and binding obligation of Tenant in accordance with its terms. This warranty and representation shall survive the termination of the Term.

Landlord represents and warrants that (a) Landlord is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) Landlord has the authority to own its property and to carry on its business as contemplated under this Lease; (c) Landlord has duly executed and delivered this Lease; (d) the execution, delivery and performance by Landlord of this Lease (i) are within the powers of Landlord, (ii) have been duly authorized by all requisite action, (iii) will not violate any provisions of law or any order of any court or agency of government, or any agreement or other instrument to which Landlord is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of Landlord's property, except by the provisions of this Lease; and (e) this Lease is a valid and binding obligation of Landlord in accordance with its terms. This warranty and representation shall survive the termination of the Term.

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16.08. Joint and Several Liability. If more than one party signs this Lease as Tenant, they shall be jointly and severally liable for all obligations of Tenant.

16.09. Force Majeure. Except where Force Majeure is expressly excluded elsewhere in this Lease, if a party cannot perform any of its obligations due to events beyond its reasonable control (other than the inability to make payments when due), the time provided for performing such obligations shall be extended by a period of time equal to the duration of the events. Events beyond a party's reasonable control include without limitation acts of God, war, civil

commotion, labor disputes, strikes, terrorist attacks, fire, flood or other casualty, the inability to obtain labor or material from customary sources on customary terms, government regulation or restriction (as distinguished from inability to obtain permits in the ordinary course), abnormal weather conditions (meaning circumstances in which adverse weather conditions significantly exceed those that have historically been encountered, or may reasonably be expected to be encountered, at the Property, and, with respect to the construction of Landlord Work, solely to the extent the applicable contractor is entitled to a delay in time for performance on account of such abnormal weather conditions), neglects or delays of the other party, or any similar event to the foregoing. Events described in this Section 16.09 are referred to herein as “Force Majeure”.

16.10. Limitation of Warranties. Landlord and Tenant expressly agree that, other than those warranties expressly set forth in this Lease, there are and shall be no implied warranties of merchantability, habitability, suitability, fitness for a particular purpose or of any other kind arising out of this Lease.

16.11. No Other Brokers. Landlord and Tenant represent and warrant to each other that the Broker(s) named in Article 1 are the only agents, brokers, finders or other parties with whom such party has dealt who may be entitled to any commission or fee with respect to this Lease or the Premises or the Property. Landlord and Tenant agree to indemnify and hold the other harmless from any claim, demand, cost or liability, including attorneys’ fees and expenses, asserted by any party other than the brokers named in Article 1 based upon dealings of that party with the indemnifying party. Landlord shall be responsible for the payment of any brokerage fees to the brokers named in Article 1. The provisions of this Section shall survive the Term or early termination of this Lease.

16.12. Applicable Law and Construction. This Lease may be executed in counterparts, shall be construed as a sealed instrument, and shall be governed exclusively by the provisions hereof and by the laws of the state where the Property is located without regard to principles of choice of law or conflicts of law. A facsimile signature to this Lease shall be sufficient to prove the execution by a party. If any provisions shall to any extent be invalid, the remainder shall not be affected. Other than contemporaneous instruments executed and delivered of even date, if any, this Lease contains all of the agreements between Landlord and Tenant relating in any way to the Premises and supersedes all prior agreements and dealings between them. There are no oral agreements between Landlord and Tenant relating to this Lease or the Premises. This Lease may be amended only by instrument in writing executed and delivered by both Landlord and Tenant. The provisions of this Lease shall bind Landlord and Tenant and

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their respective successors and assigns, and shall inure to the benefit of Landlord and its successors and assigns and of Tenant and its permitted successors and assigns, subject to Article 13. The titles are for convenience only and shall not be considered a part of this Lease. This Lease shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties, it being recognized that both Landlord and Tenant have contributed substantially and materially to the preparation of this Lease. If Tenant is granted any extension or other option, to be effective the exercise (and notice thereof) shall be unconditional; and if Tenant purports to condition the exercise of any option or to vary its terms in any manner, then the purported exercise shall be ineffective. The enumeration of specific examples of a general provision shall not be construed as a limitation of the general provision. Unless a party’s approval or consent is required by the express terms of this Lease not to be unreasonably withheld, such approval or consent may be withheld in the party’s sole discretion. The submission of a form of this Lease or any summary of its terms shall not constitute an offer by Landlord to Tenant; but a leasehold shall only be created and the parties bound when this Lease is executed and delivered by both Landlord and Tenant and approved by the holder of any mortgage of the Premises having the right to approve this Lease. Nothing herein shall be construed as creating the relationship between Landlord and Tenant of principal and agent, or of partners or joint venturers or any relationship other than landlord and tenant. This Lease and all consents, notices, approvals and all other related documents may be reproduced by any party by any electronic means or by facsimile, photographic, microfilm, microfiche or other reproduction process and the originals may be destroyed; and each party agrees that any reproductions shall be as admissible in evidence in any judicial or administrative proceeding as the original itself (whether or not the original is in existence and whether or not reproduction was made in the regular course of business), and that any further reproduction of such reproduction shall likewise be admissible. If any payment in the nature of interest provided for in this Lease shall exceed the maximum interest permitted under controlling law, as established by final judgment of a court, then such interest shall instead be at the maximum permitted interest rate as established by such judgment.

16.13. Construction on the Property or Adjacent Property.

(a) Tenant acknowledges that Landlord and/or its affiliates is or are undertaking or may undertake major renovations and/or construction at the Project. Landlord shall have the right, in connection with the development, redevelopment, alteration, improvement, operation, maintenance, or repair of the Project, to subject the Property and its appurtenant rights to easements for the construction, reconstruction, alteration, improvement, operation, repair or maintenance of elements thereof, for access and egress, for parking, for the installation, maintenance, repair, replacement or relocation of utilities serving the Project and to subject the Property to such other rights, agreements, and covenants for such purposes as Landlord may determine. Tenant hereby agrees that this Lease shall be subject and subordinate to any such matters that do not materially interfere with Tenant’s use of the Premises. Neither Tenant nor any persons acting under Tenant shall take any action to oppose

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the Project, nor, to the extent within Tenant’s control, shall the Tenant knowingly permit any Tenant Parties to take any action in opposition to the Project.

Landlord and its affiliates and their respective agents, employees, licensees and contractors shall also have the right to enter on the Property or Building to undertake work pursuant to any easement granted pursuant to the above paragraph; to shore up the foundations and/or walls of the Building; to erect scaffolding and protective barricades around, within or adjacent to the Building; and to do any other act necessary for the safety of the Building or the expeditious completion of such work. Landlord shall not be liable to Tenant for any compensation or reduction of Rent by reason of inconvenience or annoyance or for loss of business resulting from any act by Landlord pursuant to this Section provided that Landlord complies with this Section 16.13. *******. For the purposes of mitigating against potential adverse impacts on Tenant’s operations as a result of activities permitted under this Section 16.13, Landlord and Tenant agree to cooperate with each other as is reasonably required during the design of the Finish Work and any Tenant Work to identify reasonable measures to reduce vibration risk to any unusually vibration-sensitive Tenant equipment in the Premises.

Tenant acknowledges that, in connection with the Building B Lease and the exercise of its rights under this Section 16.13, Landlord shall cause (or permit to be caused) the construction of a pedestrian bridge from Building B to the Premises in a location to be reasonably approved by Tenant. Any such pedestrian bridge (the “Pedestrian Bridge”) shall be considered part of Building B, subject to Tenant’s appurtenant rights as set forth in Section 2.01(b) above. Landlord shall (if required), with Tenant’s cooperation, re-balance Building heating, ventilation and air-conditioning systems following the construction of the Pedestrian Bridge.

16.14. Confidentiality of Information.

Landlord agrees to hold any proprietary information identified as confidential by Tenant in writing and supplied to Landlord pursuant to this Lease, excluding any information required to be filed with a governmental agency (“Confidential Information”) in confidence. Notwithstanding the foregoing, Landlord may disclose such Confidential Information to its attorneys, accountants, property managers, real estate brokers, investors, lenders, attorneys, and consultants in connection with the financing or sale of the Property or Landlord’s review of such information to the extent (a) such parties need to know the Confidential Information for the purpose of evaluating the proposed transaction, (b) Landlord informs such parties of the confidential nature of the Confidential Information and (c) such parties agree to hold the Confidential Information in confidence. Landlord will use reasonable efforts to cause such parties to observe the terms of this agreement, and Landlord will be responsible for any breach of this provisions by any such parties.

Landlord acknowledges and agrees that Tenant shall not have an adequate remedy at law in the event of a breach of this provision by Landlord, that Tenant will suffer irreparable damage and injury if Landlord breaches this Section 16.14, and that Tenant, in

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addition to any other rights and remedies available under this Lease or otherwise, shall be entitled to an injunction to be issued by a court of competent jurisdiction restricting Landlord from committing or continuing any violation of this Section 16.14.

The term “Confidential Information” does not include information that (i) is publicly known at the time of delivery, (ii) subsequently becomes publicly known through no breach of this Section 16.14 by Landlord or its representatives, (iii) Landlord can demonstrate was in its possession at the time of disclosure and was not acquired by it directly or indirectly from Tenant on a confidential basis, (iv) becomes available to Landlord on a non-confidential basis from a source other than the Tenant and which source, to the best of Landlord’s knowledge, is not under an obligation of confidence to Tenant or (v) is disclosed in the course of litigation between Landlord and Tenant or Landlord and any other third party.

16.15. Equal Employment Opportunity. If and to the extent applicable to each of them, Landlord and Tenant shall comply with the requirements of 41 C.F.R. Sections 60-1.4(a)(7), 60-300.5(d), 60-741.5(d), and 29 C.F.R. part 471, Appendix A to Subpart A.

**ARTICLE 17.
SECURITY DEPOSIT**

17.01. Letter of Credit. If, at any time following the Telaprevir Approval, Tenant has an unrestricted cash, cash equivalent and marketable securities balance of [***], as determined in accordance with generally accepted accounting principles, consistently applied (the “Financial Standard”) then Tenant shall provide to Landlord as security for the performance of the obligations of Tenant hereunder a letter of credit in the amount specified in Section 1.13 in accordance with this Section (as renewed, replaced, and/or reduced pursuant to this Section, the “Letter of Credit”). The Letter of Credit shall be in the form attached as Exhibit 17.01 to this Lease or such other form as Landlord may reasonably approve. If there is more than one Letter of Credit so delivered by Tenant, such Letters of Credit shall be collectively hereinafter referred to as the “Letter of Credit”. The Letter of Credit (i) shall be irrevocable and shall be issued by a commercial bank reasonably acceptable to Landlord that has an office in Boston, Massachusetts, (ii) shall require only the presentation to the issuer of a certificate of the holder of the Letter of Credit stating either (a) that Landlord is entitled to draw on the Letter of Credit in accordance with this Lease or (b) that Tenant has not delivered to Landlord a new Letter of Credit having a commencement date immediately following the expiration of the existing Letter of Credit in accordance with the requirements of this Lease, (iii) shall be payable to Landlord and its successors in interest as the Landlord and shall be freely transferable at nominal cost, (iv) shall be for an initial term of not less than one year and contain a provision that such term shall be automatically renewed for successive one-year periods unless the issuer shall, at least sixty (60) days prior to the scheduled expiration date, give Landlord written notice of such nonrenewal, and (v) shall otherwise be in form and substance reasonably acceptable to Landlord. Notwithstanding the foregoing, the term of the Letter of Credit for the final period of the Term shall be for a term ending not earlier than the date sixty (60) days after the last day of the Term.

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If (x) Tenant shall be in default under this Lease, after the expiration of any applicable notice or cure period (or if transmittal of a default or other notice is stayed or barred by applicable bankruptcy or other law); (y) not less than thirty (30) days before the scheduled expiration of the Letter of Credit, Tenant has not delivered to Landlord a new Letter of Credit having a commencement date immediately following the expiration of the existing Letter of Credit in accordance with this Section; or (z) (i) the credit rating of the long-term debt of the issuer of the Letter of Credit (according to Moody’s, Standard & Poor’s or similar national rating agency reasonably identified by Landlord) is downgraded to a grade below investment grade; or (ii) the issuer of the Letter of Credit enters into any supervisory agreement with any governmental authority; or (iii) the issuer of the Letter of Credit fails to meet any capital requirements imposed by applicable law, then, in any of such events under this clause (z), unless Tenant delivers to Landlord a replacement Letter of Credit complying with the terms of this Lease within ten (10) days after demand therefor from Landlord, Landlord shall have the right to draw upon the Letter of Credit in full or in part without giving any further notice to Tenant. Such failure to timely deliver a new Letter of Credit pursuant to this Section 17.01 shall be deemed to be an Event of Default by Tenant (without the necessity of further notice or cure period notwithstanding anything in this Lease to the contrary). Landlord may, but shall not be obligated to, apply the amount so drawn to the extent necessary to cure Tenant’s default and/or any other damages to which Landlord is entitled under this Lease. Any funds drawn by Landlord on the Letter of Credit and not applied against amounts due hereunder shall be held by Landlord as a cash

security deposit, provided that Landlord shall have no fiduciary duty with regard to such amounts, shall have the right to commingle such amounts with other funds of Landlord, and shall pay no interest on such amounts. After any application of the Letter of Credit against amounts due hereunder by Landlord in accordance with this paragraph, Tenant shall reinstate the Letter of Credit to the amount then required to be maintained hereunder, within thirty (30) days of demand. Within sixty (60) days after the expiration or earlier termination of the Term the Letter of Credit and any cash security deposit then being held by Landlord, to the extent not applied, shall be returned to Tenant provided that no default of which Tenant then has notice (to the extent that such notice is required) is then continuing.

17.02. Letter of Credit Pledge. The Landlord may pledge its right and interest in and to the Letter of Credit to any mortgagee or ground lessor and, in order to perfect such pledge, have such Letter of Credit held in escrow by such mortgagee or ground lessee or grant such mortgagee or ground lessee a security interest therein. In connection with any such pledge or grant of security interest by the Landlord to a mortgagee or ground lessee ("Letter of Credit Pledgee"), Tenant covenants and agrees to cooperate as reasonably requested by the Landlord, in order to permit the Landlord to implement the same on terms and conditions reasonably required by such mortgagee or ground lessee. In the event that the Letter of Credit is ever held by any party in escrow including but not limited to a Letter of Credit Pledgee, Landlord shall provide in the documentation of any such escrow or pledge or other assignment of the Letter of Credit to a Letter of Credit Pledgee, and the Letter of Credit Pledgee or other party given possession of the Letter of Credit shall agree, that the Letter of Credit Pledgee or such other party shall release the

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Letter of Credit in the event Landlord is required to release the Letter of Credit pursuant to Section 17.04 hereunder.

17.03. Transfer of Security Deposit. In the event of a sale or other transfer of the Building or transfer of this Lease, Landlord shall transfer the Letter of Credit to the transferee, and Landlord shall thereupon be released by Tenant from all liability for the return of such security. The provisions hereof shall apply to every transfer or assignment made of the security to such a transferee. Tenant shall be responsible for any of the costs associated with such transfer that are in excess of nominal costs. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the Letter of Credit or the proceeds thereof, and that neither Landlord nor its successors or assigns shall be bound by any assignment, encumbrance, attempted assignment or attempted encumbrance.

17.04. Release of the Security Deposit. At any time (but no more than once per calendar year) after Tenant provides the Letter of Credit hereunder, if Tenant meets the Financial Standard and provided that there is not an ongoing Event of Default hereunder at the time of such request, Landlord shall release the Letter of Credit, if any, then held by Landlord. If Landlord has so released the Letter of Credit (whether one or more times), and thereafter Tenant fails to meet the Financial Standard, as reasonably determined by Landlord, Tenant shall, within ten (10) days thereafter, be obligated to reinstate the Letter of Credit.

17.05. Reporting Obligations. Unless Tenant is a public company, and Tenant's applicable quarterly and annual filings clearly set forth the information necessary to determine whether Tenant meets the Financial Standard in connection with the periodic determination of whether Tenant meets the Financial Standard, Tenant shall, upon request in each instance by Landlord, furnish to Landlord the following: (x) within sixty (60) days after each of its first three fiscal quarters during each fiscal year of the Term (and ninety (90) days after the fourth fiscal quarter during each fiscal year) an unaudited financial statement of Tenant together with a letter from the chief financial officer of Tenant stating, to the best of his or her knowledge, whether or not Tenant meets the Financial Standard (together with a copy of the most recently filed United States Securities and Exchange Commission form 10Q, if Tenant is lawfully required to file such a report), and (y) within one hundred fifty (150) days after each of Tenant's fiscal years during the Term audited financial statements of the Tenant for the prior fiscal year (together with a copy of the most recently filed United States Securities and Exchange Commission form 10K, if Tenant is lawfully required to file such a report). If any of the financial documentation required under Section 17.05 is not provided when required, and if Tenant fails to furnish the same to Landlord within fifteen (15) days of Landlord's written request therefor, and if Tenant has not cured such failure within five (5) business days after receiving a second written request from Landlord (provided both of such notices contain a prominent reference to this Section in bold print stating that the failure to provide such financial statements shall result in a default under this Lease), then Tenant shall be in default under this Lease and the unrestricted cash, cash equivalent and marketable securities of the Tenant shall be deemed to be zero until financial statements

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are provided in accordance with this Section 17.05. Unless public by other means, Landlord will maintain confidential such statements, except as required by applicable law or Court order; however Landlord may provide information from such statements to Landlord's accountants, lenders, attorneys and partners, as long as Landlord advises the recipients of the existence of Landlord's confidentiality obligation.

ARTICLE 18. GOVERNMENT INCENTIVES

18.01. Government Incentives.

(a) The parties acknowledge that Landlord or an affiliate of Landlord has submitted to The Commonwealth of Massachusetts an application for approval of the Project as an Economic Development District under St. 2006, c.293 §§ 5-12, as amended by St. 2008, c.129 (the "I³ Program") for state infrastructure development assistance that will finance, through tax exempt bonds issued by The Massachusetts Development Finance Agency, the cost of certain of the utilities, streets, sidewalks, water transportation facilities, parks and other public infrastructure to be constructed at the Project in the amount of \$50,000,000.00 pursuant to a Preliminary Economic Development Proposal dated April 8, 2011, as supplemented on April 22, 2011, to the Secretary of the Massachusetts Executive Office of Administration and Finance (the "Secretary"), the Mayor of the City of Boston, the Massachusetts Development Finance Agency (the "Agency") and the Commissioner of the Massachusetts Department of Revenue, a copy of which has been provided to Tenant (the "Preliminary Application"). Pursuant to the Preliminary Application and the I³ Program, such bonds would be paid by dedication of new state tax revenue from income taxes to be generated by eligible new jobs created by Tenant in the Building and the premises leased under the Building B Lease and, to the extent includable

under the I³ Program, the Building F Lease and the Building E Lease. Tenant shall reasonably cooperate with Landlord and/or an affiliate of Landlord in providing employment and wage information in connection with such application and the I³ Program. Landlord shall use commercially reasonable, good faith efforts to obtain approval for the funding of such infrastructure development under the I³ Program, including without limitation the submission of an Economic Development Proposal (the “Final Application”) to the Secretary and the Agency for final approval if the Preliminary Application (as it may be supplemented or amended in accordance with the I³ Program) is approved by the Secretary and the City of Boston, but it shall not be a default of the Landlord hereunder if the Preliminary Application or the Final Application is not so approved or if by reason of any condition in the approved Final Application any portion of the bonds are not issued. Landlord’s obligations under this Section 18(a) and Section 18(b) below shall terminate on the earlier to occur of the date that either the Preliminary Application or the Final Application for coverage under the I³ Program is first denied or rejected, whether by the City of Boston, the Secretary, the Agency or any other state agency with jurisdiction over the I³ Program, or the I³ Program is no longer in full force and effect.

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(b) Tenant shall be entitled to an increase in the Finish Work Allowance equal to an amount (the “I³ Amount”) equal to fifty-one percent (51%) of the amount of the net proceeds (i.e. net of all transaction and issuance costs associated therewith incurred by Landlord or its affiliates) of that portion of the state infrastructure development assistance actually received by the Landlord or its affiliates for the Project based upon the new state tax revenue from eligible new jobs created by Tenant to the extent approved by the Commonwealth of Massachusetts (the “Tenant Supported Bonds”), as such assistance is actually received from time to time by Landlord or its affiliates on account of I³ Program funds obtained pursuant to the application by Landlord as described in Section 18(a), above.

If and to the extent that Landlord or any of its affiliates is required to reimburse the City of Boston the amount of any shortfall of the allocable debt service apportioned to the Property under the I³ Program (the “Tenant Shortfall”) from time to time, in consideration of any Finish Work Allowance actually received by Tenant on account of the I³ Program, then Tenant shall pay to Landlord, as Additional Rent, one hundred percent (100%) of the amount of any Tenant Shortfall that Landlord is required to pay (whether contractually, through liens placed by the City of Boston on the Property, or otherwise) within thirty (30) days following written demand by Landlord so that Landlord can pay such amounts as and when due from Landlord or an affiliate of Landlord to the City of Boston. From and after the date the Final Application is approved, if Tenant is entitled to an increase in the Finish Work Allowance pursuant to the terms of this subsection (b), then Tenant shall provide to Landlord, within 10 days of Landlord’s written request from time to time, such information regarding the number of Tenant’s current and projected employees, payroll, and income taxes withheld thereon as may be required for compliance by Landlord or any affiliate of Landlord with respect to Chapter 293 §§ 5 through 12 of the 2006 Massachusetts Acts and Resolves, as amended by Chapter 129 of the 2008 Massachusetts Acts and Resolves; 801 C.M.R 51.00 et seq; and Technical Information Release 08-18 issued by the Massachusetts Department of Revenue. Tenant’s obligations to pay any Tenant Shortfall to Landlord pursuant to this paragraph shall survive the termination or earlier expiration of this Lease.

(c) Prior to the Final Commencement Date, Landlord and Landlord affiliates shall reasonably cooperate with Tenant at no cost and expense to Landlord and Landlord affiliates in applying for available forms of state financial assistance for life science companies at the Building, including without limitation for a MassWorks Infrastructure Program grant (a “MIP grant”), if legally possible. Such cooperation shall include Landlord’s (and as applicable, Landlord affiliates’) application for a MIP grant to be used for infrastructure costs at the Project, if legally possible. Landlord will increase the Finish Work Allowance by an amount equal to fifty-one percent (51%) of the amount of the net proceeds (i.e. net of all transaction costs incurred by Landlord or its affiliates) of any MIP grant or financial assistance actually received by Landlord expressly by reason of Tenant’s tenancy in the Premises and as a result of an application filed prior to the Commencement Date, as such MIP grant funds or other assistance are actually received from time to time by Landlord. Landlord shall use commercially reasonable, good faith efforts to obtain a MIP grant for infrastructure costs at the Project prior to the

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Commencement Date, if legally possible, but it shall not be a default of the Landlord hereunder if the Project is not so approved.

(d) Landlord shall reasonably cooperate with Tenant at no cost and expense to Landlord in making application for other available forms of state financial assistance with respect to Tenant’s relocation to the Building. The whole of any economic benefit from any such state financial assistance based solely on Tenant’s occupancy of the Premises shall inure solely to Tenant. If legally required, Landlord or its affiliate shall join as applicant with Tenant for a Tax Increment Financing Agreement for the Project with the City of Boston, but all of the benefits from such agreement (and any obligations associated therewith) shall accrue solely to Tenant.

(e) To the extent any costs, expenses or benefits must be allocated among one or more buildings occupied by Tenant at Fan Pier under this Section 18.01 and equivalent provisions under other leases between Tenant and Landlord or its affiliates, such allocations shall be made based upon the square footage of the buildings, the qualified Tenant employees therein, or such other method as is reasonably determined by Landlord.

(f) Tenant intends to apply to the Massachusetts Economic Assistance Coordinating Council for designation of the Building as a Certified Project, as defined in 402 C.M.R. Section 2, and for approval of a Tax Increment Financing Agreement (a “TIFA”) with the City of Boston with respect to the Premises. If Tenant actually so applies and the Certified Project Application, including a TIFA providing for an exemption percentage as would result in a projected total savings of approximately \$12,000,000 commencing July 1, 2014 in the aggregate with all other TIFAs Tenant obtains at the Project applicable during such period from the real estate taxes that would otherwise be payable with respect to the Premises and the premises under the Building B Lease, in the aggregate, is not approved by the City of Boston on or before June 1, 2011, then Tenant at Tenant’s option by notice to the Landlord given no earlier than June 2, 2011 and no later than June 10, 2011 may, in conjunction with a simultaneous termination of all other Tenant leases at the Project, terminate this Lease by written notice to Landlord, effective as of the date of such notice (provided, however, that Landlord may render such termination notice null and void by, within thirty (30) days thereafter, irrevocably committing in writing to provide Tenant with an alternate economic benefit of equal or better value based on the standards set forth on Exhibit 18.01(f), attached). If legally required, Landlord and any affiliate of Landlord, including Fan Pier Development LLC, shall join as applicant with Tenant for a TIFA with the City of Boston.

(g) To the extent the Finish Work Allowance as increased by the I(3) Amount and, if legally possible, the MIP Grant (collectively, the “Governmental Incentives”) exceeds the Excess Costs, or any portion of the Governmental Incentives is received by Landlord after the Tenant has paid all of the Excess Costs such that Tenant would not otherwise receive the benefit of such Governmental Incentives, Landlord shall pay to Tenant such excess following the final reconciliation contemplated by Sections 11.02 and 11.06 of the Work Letter.

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IN WITNESS WHEREOF, the undersigned have caused this Lease to be executed as of the day and year first above written.

LANDLORD:

FIFTY NORTHERN AVENUE LLC, a Delaware limited liability company

By: Fan Pier Development LLC, a Delaware limited liability company, its
Manager

By: Cornerstone Real Estate Advisers LLC, a Delaware limited
liability company, its Manager

By: /s/ David J. Reilly

Name: David J. Reilly

Title: President/Chief Executive Officer

TENANT:

VERTEX PHARMACEUTICALS INCORPORATED, a Massachusetts
corporation

By: /s/ Ian F. Smith

Name: Ian F. Smith

Title: Chief Financial Officer

By: /s/ Matthew W. Emmens

Name: Matthew W. Emmens

Title: President & CEO

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Confidential Treatment Requested
Confidential portions of this document have been redacted and have been separately filed with the Commission

EXECUTION COPY

ELEVEN FAN PIER BOULEVARD LLC

AND

VERTEX PHARMACEUTICALS INCORPORATED

LEASE FOR 11 FAN PIER BOULEVARD (PARCEL B — FAN PIER)
BOSTON, MASSACHUSETTS

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ELEVEN FAN PIER BOULEVARD LLC

AND

VERTEX PHARMACEUTICALS INCORPORATED

LEASE FOR 11 FAN PIER BOULEVARD (PARCEL B — FAN PIER)
BOSTON, MASSACHUSETTS

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Confidential Treatment Requested
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VERTEX PHARMACEUTICALS INCORPORATED

**LEASE FOR PARCEL B — FAN PIER
 BOSTON, MASSACHUSETTS**

**ARTICLE 1.
 BASIC TERMS**

The following terms used in this Lease shall have the meanings set forth below.

- 1.01. Date of Lease:** May 5, 2011
- 1.02. Landlord:** Eleven Fan Pier Boulevard LLC, a Delaware limited liability company
- 1.03. Tenant:** Vertex Pharmaceuticals Incorporated, a Massachusetts corporation
- 1.04. Address of Property:** Parcel B, Fan Pier, Boston, MA, subject to the provisions of Section 2.01(c)
- 1.05. Building, Property and Project:** The 16-story building to be constructed by Landlord and containing, upon completion, approximately [***] rentable square feet (the “Building”) in the City of Boston, Massachusetts, located on a parcel of land described in Exhibit 1.05 attached hereto and known as Parcel B, Fan Pier, Boston, Massachusetts (the Building and such parcel of land hereinafter being collectively referred to as the “Property”). The Property is part of a phased development located in the South Boston waterfront area of Boston, Massachusetts, currently consisting of nine (9) lettered parcels to be developed separately with up to nine (9) new buildings, projected to have an aggregate of approximately [***] square feet of gross floor area dedicated to a mixture of office, laboratory, residential, hotel, retail, civic/cultural uses, accessory parking spaces and maritime uses, together with access roads and landscaped open spaces (as such area is improved from time to time, the “Project”)

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- 1.06. Premises:** Approximately [***] rentable square feet, consisting of all of the second through the sixteenth floors of the Building (including a mechanical floor), the Pedestrian Bridge (as defined in Section 2.01(h)), a portion of the first floor of the Building, a two-story mechanical penthouse in the Building, and a portion of a 3-level below grade structure, all as further described on Exhibit 1.06 (the “Premises”), based on a modified ANSI/BOMA Z65.1- 1996 method of measurement and as conclusively agreed to by the parties as set forth in Section 2.01(e).
- 1.07. Tenant’s Pro Rata Share:** [***]
- 1.08. Term:**
- Initial Term:** The period commencing on the Commencement Date and expiring on the last day of the fifteenth (15th) Lease Year, determined as set forth in the definition of “Lease Year,” below.
- Extension Term:** One (1) additional term of ten (10) years, as further described in, and subject to the provisions of, Section 3.03.
- Lease Year:** The first (1st) Lease Year begins on the first Commencement Date to occur and ends on the last day of the twelfth full calendar month after the Final Commencement Date. Each subsequent Lease Year ends twelve months after the preceding one, provided, however, that the fifteenth (15th) Lease Year shall end on the later to occur of (i) the last day of the twelfth month after the fourteenth (14th) Lease Year or (ii) if the Building A Lease (as defined in Section 2.01(g), below) Final Commencement Date (as defined therein) occurs after the Final Commencement Date hereunder, the expiration date of the initial term of the Building A Lease (meaning and intending

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1.09. Commencement Date: The earlier of (i) the date Tenant has occupied any portion of the Premises for the conduct of its business, as opposed to occupying any portion of the Premises for the installation of the FF&E Work, as defined in Section 4 of Exhibit 10.03, or (ii) the Substantial Completion Date (as defined in Section 12.01 of Exhibit 10.03). Pursuant to Section 4.07 of this Lease, the Commencement Date may occur in one or more Phases. The Commencement Date shall be determined separately for each Phase and Rent shall be pro-rated based on the ratio of occupied floors to total floors of the Premises (excluding mechanical floors and penthouses in each case) to reflect Tenant's partial occupancy of the Premises until such time as the Commencement Date occurs with respect to the entire Premises. The Commencement Date upon which the remainder of the Premises is delivered to Tenant shall constitute the "Final Commencement Date".

The "Estimated Commencement Date" shall mean the date that is 30 months from the issuance of the first building permit for any portion of the Building.

1.10. Permitted Uses: Office Uses and Research Center Uses as defined in and limited by the Development Plan for the Fan Pier Development, Planned Development Area #54 approved by the Boston Redevelopment Authority on November 14, 2001, and adopted by the Boston Zoning Commission on February 27, 2002, effective February 28, 2001, as amended by First Amendment to the Development Plan for the Fan Pier Development, Planned Development Area #54 approved by the Boston Redevelopment Authority on December 20, 2007, and adopted by the Boston Zoning Commission on January 30, 2008, effective January 30, 2008 (collectively, the "Development Plan"), and customary uses accessory to Office Uses and Research Center Uses as permitted under the Development Plan. Use of the mechanical penthouse, mechanical rooms, the mechanical floor, telephone closets, storage areas, and similar accessory areas of the Premises constructed as part of the Base Building Work, as defined in Exhibit 10.03, to the extent each are included within the Premises, shall be further limited to the purposes for

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which they have been constructed.

1.11. Broker(s): CB Richard Ellis — N.E. Partners, LP

1.12. Management Company: Fallon Management Company LLC
c/o The Fallon Company LLC
One Marina Park Drive
Boston, Massachusetts 02210
Attn: Joseph F. Fallon

1.13. Security Deposit: \$[***], if, as and when required pursuant to the terms of Article 17.

1.14. Parking Access Devices: [***], subject to the provisions of Section 2.01(d). [***].

1.15. Base Rent:

Initial Term: From and after the Commencement Date through the end of the fifth (5th) Lease Year, [***] per annum ([***] per rentable square foot for [***] rentable square feet of the Premises and [***] per rentable square foot for [***] rentable square feet of the Premises designated as storage space on Exhibit 1.06 (the "Storage Space")), [***].

From and after the first (1st) day of the sixth (6th) Lease Year through the end of the tenth (10th) Lease Year, [***] per annum ([***] per rentable square foot for [***] rentable square feet of the Premises and [***] per rentable square foot for the Storage Space).

From and after the first (1st) day of the eleventh (11th) Lease Year through the end of the Initial Term, [***] per annum ([***] per rentable square foot for [***] rentable square feet of the Premises and [***] per rentable square foot for the Storage Space).

Extension Terms: Base Rent shall be [***] of the Market Rent, as determined pursuant to Section 3.03.

1.16. Additional Rent: All amounts payable by Tenant under this Lease other than Base Rent, including without

limitation:

- (i) Tenant's Pro Rata Share of Taxes (Article 5);
- (ii) Utility expenses for the Premises under

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- (iii) Article 6 to the extent paid by or to Landlord;
- (iii) Tenant's Pro Rata Share of Operating Expenses (Article 8) (see Section 4.02);
- (iv) Payment of the parking contract amounts due pursuant to Section 2.01(d).

1.17. Expenses Paid Directly by Tenant: All utilities (except as set forth in Article 6) and services to the Premises.

1.18. Original Address of Landlord for Notices: Eleven Fan Pier Boulevard LLC
c/o The Fallon Company LLC
One Marina Park Drive
Boston, Massachusetts 02210
Attn: Joseph F. Fallon

and:

Cornerstone Real Estate Advisers LLC
180 Glastonbury Boulevard, Suite 200
Glastonbury, Connecticut 06033
Attn: Linda Houston

With a copy to:

DLA Piper LLP (US)
33 Arch Street
Boston, MA 02110
Attn: John E. Rattigan, Esquire

With a copy to:

Day Pitney LLP
242 Trumbull Street
Hartford, CT 06103
Attn: James A. McGraw, Esquire

1.19. Original Address of Tenant for Notices: Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, Massachusetts 02139
Attn: Alfred Vaz

With a copy to:

Bowditch & Dewey, LLP
175 Crossing Boulevard
Suite 500

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Framingham, MA 01702
Attn: Paul C. Bauer, Esquire

1.20. Finish Work: All to be designed and constructed by Landlord, pursuant to Tenant's Program, as further set forth in Section 10.03 and Exhibit 10.03.

1.21. Finish Work Allowance: [***] (calculated on the basis of [***] per rentable square foot times [***] rentable square feet plus [***], subject to adjustment pursuant to Article 18).

1.22. Exhibits:

Exhibit 1.05:	Property
Exhibit 1.06:	Premises
Exhibit 2.01(e):	Measurement Standard

Exhibit 2.01(f):	Permitted Encumbrances
Exhibit 2.01(g):	Schedule of Reimbursable Expenditures
Exhibit 3.01(a):	Form of Confirmation of Commencement Date
Exhibit 3.01(b):	Tenant's Existing Lease Terms
Exhibit 3.03(b)	Parcels A and E Description
Exhibit 9.01:	Rules and Regulations
Exhibit 9.04:	Environmental Reports
Exhibit 9.05:	Retail Signage
Exhibit 10.03:	Work Letter
Exhibit 10.05(b):	Construction Documents
Exhibit 10.05(c):	Tenant Work Insurance Schedule
Exhibit 10.06:	Items That Must Remain On the Premises
Exhibit 15.01:	Form of Lender's Subordination, Nondisturbance and Attornment Agreement
Exhibit 17.01:	Form of Letter of Credit
Exhibit 18.01(f):	Alternate Economic Benefit Standards

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**ARTICLE 2.
PREMISES AND APPURTENANT RIGHTS**

2.01. Lease of Premises; Appurtenant Rights. Landlord hereby leases the Premises to Tenant, and Tenant hereby leases the Premises from Landlord, for the Term. Tenant shall be permitted access to the Building, the Premises and the Parking Garage on a 24 hour per day, 7 day per week basis, subject to the Rules and Regulations, Force Majeure (as hereinafter defined) and Landlord's reasonable security measures.

(a) Exclusions. The Premises exclude Common Areas and Facilities of the Property, as defined in Section 2.01(b), and exterior walls, the roof, the stairways and stairwells to the Parking Garage, the portion of the Building identified as "future retail tenants" on Exhibit 1.06, retail loading dock, and pipes, ducts, conduits, wires and appurtenant fixtures located within the Premises but serving other parts of the Property (exclusively or in common). If the Premises include less than the entire rentable area of any floor from time to time, then the Premises also exclude the common corridors, lobbies, elevator lobby, and lavatories located on such floor.

(b) Appurtenant Rights. Tenant shall have, as appurtenant to the Premises, rights, in common with others (subject to the Rules and Regulations), to use the Common Areas and Facilities of the Property, to contracts for parking set out in Section 2.01(d), to the signage rights as set out in Section 9.05, and to use the rooftop as set out in Article 11. As used herein, "Common Areas and Facilities" is defined as (i) the common stairways and access ways, lobbies, hallways, entrances, stairs, elevators and any passageways thereto, other areas or facilities within the Building for the general use, convenience and benefit of Tenant and other tenants and occupants of the Building and the common pipes, ducts, conduits, wires, telephone and electrical closets (except on floors leased entirely by Tenant), and appurtenant equipment serving the Premises; (ii) the common exterior walkways located on the Property and associated with the Building, and (iii) any other common areas and facilities from time to time designated as such by Landlord (provided that no areas initially designated as part of the Premises on Exhibit 1.06 may be designated as a common area).

(c) Reservations. In addition to other rights reserved herein or by law, Landlord reserves the right from time to time, without unreasonable (except in emergency) interference with Tenant's rights hereunder, including without limitation Tenant's use of and access to the Premises: (i) to make additions to or reconstructions of the Building and to install, use, maintain, repair, replace and relocate for service to the Premises and other parts of the Building, or either, pipes, ducts, conduits, wires and appurtenant fixtures, wherever located in the Premises, the Building, or elsewhere in the Property, provided, however, such installation, reconstruction or relocation shall not materially reduce the usable floor area of the Premises (other than a temporary reduction to accommodate installation, repair, replacement, maintenance and relocation) without the consent of Tenant, which may be granted or withheld in Tenant's sole discretion and if granted, the Base Rent and Tenant's Pro Rata Share shall be proportionately reduced; (ii) to alter or relocate any portion of the Common Areas and Facilities, including the lobbies and entrances (provided that (A) Tenant's rights under this Lease are not adversely affected in any material respect and (B) with respect to any relocation of the lobby or entrance to the Building or the Premises, other

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than a temporary relocation to accommodate required work, any such relocation shall be subject to Tenant written approval, in Tenant's sole discretion), (iii) to grant easements and other rights with respect to the Property, provided such grants do not materially and adversely affect Tenant's rights under this Lease, and (iv) to change the street address of the Property prior to the date that Landlord commences the Finish Work (and, thereafter, with Tenant's written consent, not to be unreasonably withheld, conditioned or delayed). Installations, replacements and relocations within the Premises referred to in clause (i) shall be located as far as practicable in the core areas of the Building, above ceiling surfaces, below floor surfaces or within perimeter walls of the Premises and Landlord shall minimize the disruption to the Tenant to the degree reasonably practicable.

For the purposes of separately owning and/or financing the portions of the Building comprising retail space and/or the Parking Garage below the Building from the remainder of the Building, the Property may be subdivided into separate lots, submitted to a condominium regime or divided into separate leasehold lots by ground leases to permit such separate ownership and financing of portions of the Property, provided that (a) Tenant's rights and obligations under this Lease shall not be diminished or negatively affected in anything more than a de minimis manner, (b) there shall not be material interference with (I) access to the Premises from Fan Pier Boulevard, (II) Tenant's ability to otherwise use the number of parking spaces as provided under Section 2.01(d) below, or (III) the ability to use and occupy the Premises for the Permitted Uses, and (c) if the Property is submitted to a condominium regime, the entire Premises shall be contained within a single condominium unit. In the event the Property, as originally defined herein, is

subdivided, then the term "Property" shall be deemed to refer only to the portions of the parcel or parcels of land or air rights on which the Building is located and, at the request of either Landlord or Tenant, Exhibit 1.05 and any Notice of Lease recorded pursuant Section 16.06 shall be amended accordingly. In the event the Property is submitted to a condominium regime, the Property shall be deemed to be the condominium unit in which the Premises are located (but any such condominium unit shall have the appurtenant rights to which Tenant expressly is entitled under this Lease) and, at the request of either Landlord or Tenant, Exhibit 1.05 and any Notice of Lease recorded pursuant Section 16.06 shall be amended accordingly. Tenant agrees to enter into any instruments reasonably requested by Landlord in connection with the foregoing, so long as the same are not inconsistent with the rights of Tenant under this Lease and are otherwise reasonably acceptable to Tenant. Without limiting the generality of the foregoing, such instruments may include a subordination of this Lease to a ground lease or documents creating a condominium on the Property, provided that in the case of a condominium Tenant's rights under this Lease are not materially affected and that in the case of a ground lease Tenant shall receive a non-disturbance agreement reasonably acceptable to Tenant from any ground lessor having a priority interest over this Lease. If the Property is subject to a condominium regime under this paragraph, then Landlord shall not exercise its right to vote as a member of the owner's association of the condominium in a manner that materially and adversely affects Tenant's rights under this Lease without Tenant's prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed, and, so long as Tenant is not in default of any of its payment obligations under this Lease, Landlord shall promptly pay all assessments against the condominium unit containing the Premises (which assessments shall be includable within Operating Costs) within the period required under the condominium

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regime so that no liens for unpaid assessments attach to the Premises. In the event of any failure by Landlord to pay condominium assessments for any reason (other than Tenant's failure to pay Operating Costs) such that the condominium association commences an enforcement process against the condominium unit containing the Premises, Tenant shall have the right to pay such assessments directly (and shall provide evidence of such payments to Landlord) and Tenant may offset such expenditures against the next payment or payments of Additional Rent under this Lease. Following any such event, to the extent permissible under law, the condominium documents shall either be revised to provide for provision of copies of any notice of default to Tenant or Landlord shall otherwise require the condominium association to copy Tenant as a notice party in addition to Landlord, and thereafter copies of invoices for condominium assessments or other material notices that Landlord receives from the condominium association shall be delivered to Tenant and Landlord. Landlord shall promptly provide Tenant with copies of any notice of nonpayment of condominium assessments (provided that Landlord shall not be in default of this sentence if such amounts are paid by Landlord prior to the exercise of any remedies against the condominium unit containing the Premises).

(d) Parking. During the Term, Landlord shall cause the Parking Garage operator to enter into contracts with Tenant for the number of parking access devices set forth in Section 1.14, permitting the parking of such number of vehicles in unreserved parking spaces in the Parking Garage. In furtherance of such rights, Landlord has entered into and recorded that certain Garage Reciprocal Easement Agreement (the "Parking Agreement") described on Exhibit 2.01(f). Landlord covenants that it shall not grant any other tenant in the Building the right to park exclusively in the portion of the Parking Garage located beneath the Building unless such rights affect a de minimis number of parking spaces for the benefit of the retail tenants in the Building and Landlord offers comparable rights to Tenant. The monthly rate to be paid by Tenant and its employees under such contracts shall be the prevailing monthly parking rate charged by the Parking Garage operator at the Parking Garage (or surface parking, as applicable), which parking rate may change at any time and from time to time, as determined by such Parking Garage operator, [***]. Tenant shall have the right to provide Landlord with recommendations from time to time regarding the exercise of the Landlord's rights to approve the parking garage operator under the Parking Agreement, and Landlord agrees that it shall not vote such rights in favor of employing any particular parking garage operator to which Tenant has bona fide, good faith objections as reasonably and previously described to Landlord in writing (Tenant acknowledging that the Parking Garage requires a parking operator and that Tenant shall reasonably cooperate with Landlord to identify viable recommended candidates for the parking operator position). [***].

[***].

"Parking Garage" shall collectively mean (i) the three (3) level subterranean parking garage located below the Building and constructed as part of the Base Building Work, and (ii) such other parking garages as may be constructed from time to time within the Project and subsequently made available to the Building under reciprocal easement agreements, operating agreements or other such agreements now or hereafter in effect. Payments under

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the parking contracts shall constitute Additional Rent for purposes of this Lease. Payments under this Section shall be made directly to the Parking Garage or applicable parking operator in accordance with the provisions of the parking contracts. Without limiting Landlord's other remedies under this Lease, if Tenant shall fail to pay the amounts due under any parking contract for more than ten (10) days after notice of such failure given by Landlord or the applicable parking operator, or if Tenant shall cease to contract for any access device for more than 60 consecutive days, or if Tenant relinquishes in any manner any parking contract(s), then Landlord may permanently terminate Tenant's rights to the applicable number of access devices immediately upon notice by Landlord to Tenant (such terminations, if any, to be applied first to parking contracts for surface parking hereunder and then to parking contracts in the Parking Garage). Tenant may irrevocably relinquish any such parking contract(s) on 30 days' prior written notice to Landlord (in which event the number of parking access devices specified in Section 1.14 shall be deemed to have been reduced accordingly). If Landlord shall fail to provide any or all of the parking spaces for Tenant parking hereunder other than due to (i) temporary interruptions of not more than one (1) business day, (ii) the operation of the South Boston Parking Freeze Regulations as set forth in the following paragraph or (iii) Tenant's default as specified in the preceding sentence, then Tenant shall not be required to make payments under the parking contracts for such parking spaces during the period in which such parking spaces are unavailable. The Parking Garage operator's failure to provide the Parking Spaces to Tenant, other than in the event of a temporary closure of the Parking Garage due to casualty, governmental action or other cause beyond Landlord's and such Parking Garage operator's reasonable control, or as otherwise permitted hereunder, shall constitute a default by Landlord hereunder, subject to applicable notice and cure periods.

Tenant acknowledges that the Parking Garage and any such surface parking areas are subject to the provisions of the South Boston Parking Freeze Regulations and to one or more Parking Freeze Permits issued thereunder by the City of Boston Air Pollution Control Commission, which regulations and permits require that 20% of the total parking supply in the Parking Garage be set aside for Off-Peak use, and not be available weekdays between 7:30 a.m. and 9:30 a.m. Tenant acknowledges that the administration of such requirement may from time to time limit the ability of certain of the parking access device holders to enter the Parking Garage or the surface parking areas between 7:30 a.m. and 9:30 a.m. (the "Limited Parking Period"). [***].

Tenant's rights under this Section 2.01(d) shall not be assigned or sublicensed except in connection with an assignment or sublease permitted under Article 13.

(e) Measurement. The parties acknowledge and agree that the square footages set forth herein have been conclusively determined pursuant to a modified ANSI/BOMA Z65.1-1996 method of measurement for useable space in office buildings and consistent as set forth on Exhibit 2.01(e) attached (the "Measurement Standard").

(f) Matters to Which Lease is Subject. This Lease, and Tenant's rights hereunder, are subject and subordinate to the matters listed on Exhibit 2.01(f) and all Legal Requirements, including, without limitation: (i) that certain Declaration of Covenants, Easements and Restrictions by and between Fan Pier Development LLC, a Delaware limited

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liability company, and Fan Pier Owners Corporation, a Massachusetts corporation ("FPOC"), dated January 31, 2008 and recorded with the Suffolk County Registry of Deeds in Book 43059, Page 1, as amended by that certain First Amendment dated as of the date hereof, to be recorded in the Suffolk County Registry of Deeds, as the same may be further amended from time to time (the "Declaration"), and any rules or regulations promulgated by or on behalf of the "Developer" or "FPOC" under the Declaration, whether recorded or unrecorded, to the extent of and in accordance with the provisions of the next succeeding sentence, (ii) Consolidated Written Determination dated June 28, 2002 (final decision dated November 21, 2002) issued by issued by the Massachusetts Department of Environmental Protection ("DEP") for the Fan Pier Project, as extended by letter from DEP dated April 18, 2007, and the Chapter 91 license for the Building to be issued by DEP, and Chapter 91 License No. 11907 issued by DEP for all of the public realm areas of the Fan Pier Project, recorded with the Suffolk Registry of Deeds in Book 42568, Page 89; (iii) the Development Plan, and (iv) all agreements with the BRA or the City of Boston relating to the Building or the Project (collectively, and as may be amended or supplemented from time to time, the "Project Documents," and each individually a "Project Document"). There are no existing rules or regulations promulgated under the Declaration as of the date of this Lease and Landlord shall not promulgate such rules or regulations nor enter into an amendment to the Declaration nor shall Landlord enter into any new Project Document or any amendment, termination, cancellation, revision or modification to an existing Project Document that materially, adversely affects Tenant's rights or privileges under this Lease without the written consent of Tenant, which consent may be granted or withheld in Tenant's sole discretion. Landlord shall not be liable to Tenant for any injury, loss, costs, expenses, liabilities, claims or damage (including attorneys' fees and disbursements) to any person or property arising from or in any related to the proper exercise of the rights of the Developer or FPOC under the Declaration. Tenant shall cooperate with Landlord as reasonably requested from time to time in order to permit Landlord or its affiliates to meet reporting requirements under the Project Documents, including without limitation under the Transportation Access Plan Agreement for the Project or the Building, as they may be amended.

(g) Lease Contingency. Simultaneously with the execution of this Lease, Tenant and an affiliate of Landlord ("Building A Landlord") are entering into a lease for a building to be constructed on Parcel A of the Project (such building to be referred to as "Building A"), as such Parcel A is more particularly described on Exhibit 3.03(b), attached, and any such lease of Building A to be referred to as the "Building A Lease"). This Lease and the Building A Lease (together, the "Leases") are each contingent upon the issuance of an "approval letter" by the Federal Drug Administration (the "FDA") of Tenant's new drug application for telaprevir as a so-called "listed drug", as such terms are defined in 21 C.F.R 314.3 (the "Telaprevir Approval"). If the Telaprevir Approval is not issued by the FDA, or the FDA issues a written refusal to approve telaprevir, on or before December 31, 2011, then this Lease shall terminate and be of no further force and effect as of December 31, 2011 except for the obligations that expressly survive the termination hereof.

[***].

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[***].

(h) Pedestrian Bridge. As part of the Base Building Work, Landlord shall cause the construction of the pedestrian bridge from the Premises to Building A as shown on the Base Building Work Plans. Such pedestrian bridge (the "Pedestrian Bridge") shall be considered part of the Premises, and shall be subject to the appurtenant rights of Tenant as tenant under the Building A Lease as set forth therein. The Pedestrian Bridge shall be enclosed and shall be not more than two stories in height and shall be used solely for passage of pedestrians and materials between buildings, rather than the Permitted Use generally. No sign, banner, logo or other communication may be displayed externally from the Pedestrian Bridge. Maintenance of the Pedestrian Bridge shall be allocated between Landlord and Tenant consistent with the allocation herein with respect to other elements of the Building.

**ARTICLE 3.
LEASE TERM**

3.01. Lease Term; Delay in Commencement.

(a) The Initial Term of this Lease is set forth in Article 1. Following each Commencement Date, Landlord and Tenant shall enter into a recordable instrument confirming the occurrence of the applicable Commencement Date in the form of Exhibit 3.01(a), attached (provided, however, that the failure to enter into such instrument shall not be deemed to delay the occurrence of the applicable Commencement Date).

(b) Landlord shall endeavor in good faith to Substantially Complete (as defined in Exhibit 10.03) the Landlord Work (as defined in Exhibit 10.03) such that the Final Commencement Date will occur on or before the Estimated Commencement Date, subject to extension for Force Majeure and Tenant Delays (as defined in Exhibit 10.03). If the Final Commencement Date has not occurred by the Estimated Commencement Date, as extended by Tenant Delay (but not for Force Majeure), then, as Tenant's sole remedy at law or equity (except as provided in Sections 3.01(c), below), Tenant shall receive a credit against Base Rent in an amount equal to Tenant's Damages. "Tenant's Damages" shall mean [***]. Responsibility for Tenant's Damages shall be allocated between the Landlord and the Building A Landlord pursuant to this Section 3.01(b) and Section 3.01(b) of the Building A Lease in proportion to the respective rentable square feet of the premises under such leases. [***].

(c) Tenant shall have the right to terminate this Lease in accordance with the provisions of this Subsection 3.01(c) if any of the following milestones are not met: (i) if Landlord has not closed a construction loan to finance construction of the Building on or before the later of (A) the date Tenant delivers to Landlord the Security Deposit if any to the extent required pursuant to Section 17.01, or (B) the date that is ninety (90) days following the Telaprevir Approval for any reason (including without limitation Force Majeure) other than Tenant Delays; (ii) a building permit is not issued for the Building on or before the later of (A) the date Tenant delivers to Landlord the Security Deposit if and to the extent required pursuant to Section 17.01, or (B) the date that is ninety (90) days following the Telaprevir Approval for any reason (including without limitation Force Majeure) other than Tenant

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Delays (clauses (i) and (ii) above, the "Building B Initial Construction Milestones"); or (iii) the Building A Landlord does not meet all the Building A Initial Construction Milestones, as defined in the Building A Lease. In the event that any of the foregoing milestones are not met, then Tenant may terminate this Lease upon thirty (30) days' prior written notice (provided that such termination will not take effect if the construction loan closing, issuance of a building permit and compliance with the Building A Initial Construction Milestones, to the extent any such milestone had not been met prior to the Tenant's termination notice hereunder, occurs within such 30 day period), as Tenant's sole remedy at law or equity. In the event Tenant terminates this Lease pursuant to the provisions of this Subsection 3.01(c), Tenant shall terminate the Building A Lease and that certain lease (the "Building F Lease") by and between Tenant and an affiliate of Landlord dated as of the date hereof with respect to the building known as One Marina Park Drive and located on Parcel F (as described in Exhibit 3.03(b)). Notwithstanding anything to the contrary in this Lease, Landlord shall have no obligation to apply for a building permit or to commence construction of the Landlord Work prior to the date of Telaprevir Approval. To advance the Final Completion Date, Tenant may elect by written notice (the "Acceleration Notice") to Landlord to cause Landlord to apply for the building permit prior to Telaprevir Approval by agreeing in such notice to include 100% of the cost of the building permit for the Building as a Reimbursable Expenditure and increase the cap on Reimbursable Expenditures by an equivalent amount; provided, however, that such notice shall only have force and effect if Tenant simultaneously gives an Acceleration Notice to the landlord under the Building A Lease pursuant to Section 3.01(c) of the Building A Lease.

(d) Intentionally Omitted.

(e) The foregoing remedies are Tenant's sole remedies in the event of a delay in the construction of the Landlord Work, except that if construction of the Landlord Work is materially abandoned for a period of (x) at least ninety (90) consecutive days or (y) at least ninety (90) days in any one-hundred twenty (120) day period, in each case after excavation for the Building foundation commences (for reasons other than Tenant Delays or Force Majeure), then Landlord shall be deemed to be in default under this Lease subject to Landlord's right to notice and cure under Section 16.02 of this Lease, with a copy of any such default notice simultaneously being delivered to Landlord's construction lender (the cessation of such abandonment within the period required by Section 16.02 being deemed to be a cure of such default). Tenant's sole remedies at law or equity for any default pursuant to the immediately preceding sentence beyond applicable notice and cure periods shall be (x) termination of this Lease by thirty (30) days' prior written notice to Landlord if such default first arises prior to the time that either Landlord first commences the erection of structural steel for the Building or the Building A Landlord first commences the erection of structural steel for Building A, and/or (y) a claim for actual, direct damages.

3.02. Hold Over. If Tenant (or anyone claiming through Tenant) shall remain in occupancy of the Premises or any part thereof after the expiration or early termination of the Term without a written agreement therefor executed and delivered by Landlord, then, without limiting Landlord's other rights and remedies, the person remaining in possession shall be deemed a tenant at sufferance, and Tenant shall thereafter pay monthly rent (pro rated for such portion of

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any partial month as Tenant shall remain in possession) at a rate equal to the higher of 125% for the first 30 days, and 150% thereafter, of (x) the Base Rent rate applicable during the last monthly period immediately preceding such expiration or termination or (y) the fair market rent for Base Rent (which shall be determined on a so-called "triple net" basis), in each case with all Additional Rent also payable as provided in this Lease. The foregoing provisions shall not serve as permission for Tenant or anyone claiming by, through, or under Tenant to hold-over, nor serve to extend the Term (although Tenant shall remain bound to comply with all provisions of this Lease until Tenant vacates the Premises) and Landlord shall have the right at any time after the expiration or earlier termination of this Lease to enter and possess the Premises and remove all property and persons therefrom or to require Tenant to surrender possession of the Premises as provided in this Lease upon the expiration or earlier termination of the Term. If Tenant fails to surrender the Premises upon the expiration or termination of this Lease, Tenant agrees to indemnify, defend and hold harmless Landlord from all costs, loss, expense or liability, including without limitation, claims made by any succeeding tenant and real estate brokers' claims and attorneys' fees. No acceptance by Landlord of any Rent during or for any period following the expiration or termination of this Lease shall operate or be construed as an extension or renewal of this Lease. Should Tenant remain

in the Premises on a month-to-month basis with Landlord's prior and express written approval, such month-to-month tenancy may be cancelled by either party with thirty (30) days' prior written notice or such lesser time period as may be permitted by Law. In any case, Tenant shall be liable to Landlord for all damages actually resulting from any failure by Tenant to vacate the Premises or any portion thereof when required hereunder. The provisions of this Section 3.02 shall survive the termination or earlier expiration of this Lease.

3.03. Right to Extend.

(a) First Extension Term. This Lease may be extended for one (1) additional ten-year period (the "First Extension Term") by unconditional written notice from Tenant to Landlord delivered at least twenty (20) months before the end of the Initial Term, time being of the essence. If Tenant does not timely exercise this option, or if on the date of such notice or at the beginning of the First Extension Term an Event of Default is then continuing, then Tenant's right to extend the Term pursuant to this Section 3.03(a) shall irrevocably lapse, Tenant shall have no further right to extend, and this Lease shall expire at the end of the Initial Term.

(b) Alternative Extension Term. Simultaneously herewith, Tenant has entered into an agreement (the "Parcel E Agreement") with an affiliate of Landlord for certain rights to lease a building that is contemplated for construction on Parcel E of the Project (such building to be referred to as "Building E"), as such Parcel E is more particularly described on Exhibit 3.03(b), attached. If Tenant enters into a lease for Building E pursuant to the Parcel E Agreement (such lease of Building E to be referred to as the "Building E Lease"), then Tenant shall have the following additional extension option with respect to the Building: (a) if Tenant's right to extend the term of the Building E Lease in compliance with the terms of the Parcel E Agreement has expired without exercise or has been waived, then Tenant may elect to extend the Term of this Lease for such period as will result in the Term of this Lease being coterminous with the term of the Building E Lease, or (b) if Tenant shall have exercised the First Extension Option, and Tenant has extended the term of the Building E

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Lease in compliance with its terms for a period of ten (10) years, then Tenant may elect to extend the First Extension Term of this Lease for such period as will result in the Term of this Lease being coterminous with the term of the Building E Lease, as so extended, in each case by unconditional written notice from Tenant delivered to Landlord at least twenty (20) months before the end of the Initial Term (with respect to option (a)) or the First Extension Term (with respect to option (b)), time being of the essence (either such extended term being referred to as the "Alternative Extension Term"). If Tenant does not timely exercise the options set forth in this paragraph, or if on the date of such notice or at the beginning of the Alternative Extension Term an Event of Default is then continuing, Tenant's right to extend pursuant to this Section 3.03(b) shall irrevocably lapse, Tenant shall have no further right to extend, and this Lease shall expire at the end of the Initial Term or First Extension Term, as applicable.

All references to the Term shall mean the Initial Term as it may be extended by the First Extension Term and/or the Alternative Extension Term, if any (each, an "Extension Term"). Each Extension Term shall be on all the same terms and conditions applied to the Initial Term (including without limitation the obligation to pay Additional Rent) except that the Base Rent for each Extension Term shall be as set forth below and Tenant shall have no further right to extend the term of this Lease except as expressly set forth in subparagraph (b), above.

(c) Market Rent. If Tenant gives Landlord timely notice of its intention to extend the then-current Term of this Lease, whether for the First Extension Term or the Alternative Extension Term, then at least nineteen (19) months before the end of the then-scheduled expiration Term, Landlord shall give Tenant written notice of the then applicable market rent for Tenant's space, based on similar space in similar Class A office and laboratory buildings in the Seaport District or the Longwood Medical Area (excluding owner-occupied space) of the City of Boston, Massachusetts (such buildings, the "Comparable Properties," and such rent, the "Market Rent"), taking into account all of the factors that a landlord and tenant would consider in negotiating an arms-length rent for a lease (including without limitation whether or not a brokerage fee is payable in connection therewith). Base Rent for any Extension Term shall be established as [***] of the Market Rent. Within thirty (30) days after Tenant receives such notice, Tenant shall notify Landlord of its agreement with or objection to Landlord's determination of the Market Rent, whereupon, if the Tenant objects to such determination, the Market Rent shall be determined in the manner set forth below. If Tenant does not notify Landlord within such thirty (30) day period of Tenant's agreement with or objection to Landlord's determination of the Market Rent, then the Market Rent for the applicable Extension Period shall be deemed to be Landlord's determination of the Market Rent as set forth in the notice from Landlord described in this subsection and Tenant shall be irrevocably bound to lease the Premises for the applicable Extension Term. In the event Tenant's notice objects to such determination, from the date Tenant provides such notice through the date that is seventeen (17) months before the end of the then scheduled expiration Term (the "Decision Date"), Landlord and Tenant shall negotiate in an attempt to reach agreement on the Base Rent for the applicable Extension Period. Prior to the Decision Date, Tenant shall send a notice rescinding its exercise of the right to extend or requesting arbitration pursuant to Section 3.03(d) below (a "Decision Notice"). If Tenant fails to send

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such Decision Notice prior to the Decision Date or sends a notice requesting arbitration pursuant to Section 3.03(d) below, then Tenant shall be irrevocably bound to lease the Premises for the applicable Extension Term and the Market Rent for such Extension Term shall be determined by arbitration in the manner set forth in Section 3.03(d).

(d) Arbitration of Market Rent. If Tenant notifies Landlord of Tenant's objection to Landlord's determination of Market Rent and sends a Decision Notice requesting arbitration under the preceding subsection, such Decision Notice shall also set forth a request for arbitration and Tenant's appointment of an MAI appraiser having at least ten (10) years' experience in the Class A office and laboratory leasing market in the Seaport District or the Longwood Medical Area of the City of Boston, Massachusetts, and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years (an "Arbitrator"). Within five (5) days thereafter, Landlord shall by notice to Tenant appoint a second Arbitrator having such experience. Each Arbitrator shall be advised to determine the Market Rent for the applicable Extension Term

within thirty (30) days after Landlord's appointment of the second Arbitrator. On or before the expiration of such thirty-(30)-day period, the two Arbitrators shall confer to compare their respective determinations of the Market Rent. If the difference between the amounts so determined by the two Arbitrators is less than or equal to ten percent (10%) of the lower of said amounts, then the final determination of the Market Rent shall be equal to the average of said amounts. If such difference between said amounts is greater than ten percent (10%), then the two Arbitrators shall have ten (10) days thereafter to appoint a third Arbitrator (the "Third Arbitrator"), who shall be instructed to determine the Market Rent for the applicable Extension Term within ten (10) days after its appointment by selecting one of the amounts determined by the other two Arbitrators. Each party shall bear the cost of the Arbitrator selected by such party. The cost for the Third Arbitrator, if any, shall be shared equally by Landlord and Tenant. Failure of the Arbitrators, singly or collectively, to complete this process within the time frame set forth (i) shall not terminate the Tenant's exercise of the applicable Extension Term, or (ii) cause the arbitration process to end; the parties shall thereafter continue to work in good faith to conclude the arbitration process.

ARTICLE 4. RENT

4.01. Base Rent. On the Commencement Date and thereafter on the first day of each month during the Term, Tenant shall pay Landlord the monthly installment of Base Rent in the manner and as further provided in Section 4.05, below. If the Commencement Date occurs in Phases, then Tenant shall be entitled to a credit against Base Rent due for the period (the "Early Access Period") beginning with the first Commencement Date to occur and ending on the day immediately preceding the Final Commencement Date in the amount of any Phasing Premium actually paid by Tenant on account of Finish Work Changes for Phasing under the Work Letter (provided, however, that no such credit shall be due to Tenant from and after the Final Commencement Date, and in no event shall such credit be deemed to exceed the total Base Rent due with respect to the Early Access Period).

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4.02. Additional Rent.

(a) General. "Additional Rent" has the meaning set forth in Section 1.16. "Rent" means Base Rent and Additional Rent. Landlord shall estimate in advance (i) all Taxes under Article 5, (ii) all utility costs (unless separately metered to or separately contracted for by Tenant) under Article 6, (iii) all insurance premiums to be paid by Landlord under Article 7, and (iv) all Operating Expenses under Section 8.01 (individually all such items in clauses (i) through (iv) being "Operating Costs" and collectively, "Total Operating Costs") and, commencing on the Commencement Date Tenant shall pay one-twelfth of Tenant's Pro Rata Share of such estimated Total Operating Costs monthly in advance together with Base Rent. Landlord shall provide Tenant with such estimate on or before the Commencement Date and on or before each subsequent December 1, for the next ensuing calendar year, during the term of the Lease. Landlord may adjust its estimates of Total Operating Costs at any time based upon its experience and reasonable anticipation of costs. Such adjustments shall be effective as of the next Rent payment date after notice to Tenant. On or before each December 1 following the Commencement Date, Landlord shall provide Tenant with a reasonably detailed statement of the Total Operating Costs paid or incurred by Landlord during the then-current fiscal year (including an estimate on an accrual basis for the period, if any, of such fiscal year following December 1) and Tenant's Pro Rata Share of such expenses and shall provide Tenant with a final statement within 60 days after the end of each such fiscal year of the Property during the Term (Tenant acknowledging that any Operating Costs on account of the Declaration shall be reconciled separately following Landlord's receipt of annual accountings thereunder during the term and need not be provided within such 60 day period, but Landlord shall endeavor to provide Tenant with a reconciliation statement for such charges as soon as reasonably practicable following receipt of the annual statement, or any permitted subsequent billing or adjustment, under the Declaration). Within the next thirty (30) days following delivery of such statements, Tenant shall pay Landlord any underpayment, or Landlord shall credit against Additional Rent next due any overpayment, of Tenant's Pro Rata Share of such Total Operating Costs. If the Term expires or this Lease is terminated as of a date other than the last day of a fiscal year, Tenant's payment of Additional Rent pursuant to this Section 4.02(a) for such partial fiscal year shall be based on Landlord's best estimate of the items otherwise includable in Total Operating Costs and shall be made on or before the later of (a) thirty (30) days after Landlord delivers such estimate to Tenant or (b) the last day of the Term, with an appropriate payment or refund to be made upon Tenant's receipt of Landlord's statement of Total Operating Costs for such fiscal year. This Section 4.02(a) shall survive expiration or earlier termination of the Term.

This Lease requires Tenant to pay directly to suppliers, vendors, carriers, contractors, etc., certain insurance premiums, utility costs, personal property taxes, maintenance and repair costs and other expenses. If Landlord pays any of these amounts in accordance with this Lease, Tenant shall reimburse such costs in full upon demand with the next monthly Rent payment. Unless this Lease provides otherwise, Tenant shall pay all Additional Rent then due on or before the date for the next monthly Rent payment. In no event shall Landlord's failure to demand payment of Additional Rent be deemed a waiver of Landlord's right to such payment.

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(b) Allocation of Certain Operating Costs. If at any time during the Term, Landlord provides services only with respect to particular portions of the Building or incurs other Operating Costs allocable to particular portions of the Building, then such Operating Costs shall be charged entirely to those tenants, including Tenant, if applicable, of such portions, notwithstanding the provisions hereof referring to Tenant's Pro Rata Share. In furtherance of and not in limitation of the foregoing, if it is feasible to differentiate between Taxes allocable to (i) the retail portion of the Building and (ii) the Parking Garage, on the one hand, and Taxes allocable to the remainder of the Building, on the other hand, based on the records of the City of Boston assessors' office, then Landlord shall allocate such Taxes accordingly such that the retail tenants shall pay 100% of the Taxes allocable to retail space, the Parking Garage owner shall pay 100% of the Taxes allocable to the Parking Garage, and Tenant shall pay 100% of the Taxes allocable to the remainder of the Building. Landlord acknowledges that it shall use commercially reasonable efforts to have the retail portion of the Building and the Parking Garage assessed separately from the remainder of the Building for the purposes of facilitating the allocation set forth in the immediately preceding sentence (provided that nothing in this sentence shall require Landlord to subject the Building to a condominium or subdivision).

4.03. Late Charge. Tenant acknowledges that if it pays Rent late, Landlord shall incur unanticipated costs, which shall be extremely difficult to ascertain exactly. Such costs include processing and accounting charges, and late charges that may be imposed on Landlord by any mortgage on the Property. Accordingly, if Landlord does not receive any Rent payment within five (5) days following its due date, Tenant shall pay Landlord a late charge equal to five (5%) percent of the overdue amount. The parties agree that this late charge represents a fair and reasonable estimate of the costs Landlord shall incur by reason of Tenant's payment default. Payment of the late charge shall not cure Tenant's payment default or prevent Landlord from exercising other rights and remedies. No late charges under this Section 4.03 shall accrue until Landlord provides notice of such late payment to Tenant and five (5) days elapse from such notice without Tenant having made such payment; provided, however, that Landlord shall not be required to give such notice more than two times in any 12-month period.

4.04. Interest. Any late Rent shall bear interest from the date due until paid at the annual rate of the Bank of America (or its successor) prime rate of interest plus four percent (4%) per annum (the "Default Rate") except to the extent such interest would cause the total interest to be in excess of that legally permitted. Payment of interest shall not cure Tenant's payment default or prevent Landlord from exercising other rights and remedies. No interest under this Section 4.04 shall accrue until Landlord provides notice of such late payment to Tenant and five (5) days elapse from such notice without Tenant having made such payment; provided, however, that Landlord shall not be required to give such notice more than one time in any 12-month period.

4.05. Method of Payment. Tenant shall pay the Base Rent to Landlord in advance in equal monthly installments by the first of each calendar month during the Term and the monthly installment of Tenant's Pro Rata Share of Total Operating Costs as provided in Section 4.02, without offset, deduction or prior demand, except as otherwise expressly set forth herein. Tenant shall make a ratable payment of Base Rent and Additional Rent for any period of less than a month at the beginning or end of the Term. All payments of Base Rent, Additional Rent and

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other sums due shall be paid, without demand, set-off or other deduction, except as otherwise expressly set forth herein, in current U.S. exchange by check drawn on a clearinghouse bank at the Original Address of Landlord or such other place as Landlord may from time to time direct. Tenant acknowledges that the initial monthly periodic payments under the Lease, including without limitation Base Rent, Taxes and Operating Expenses, will all be made by electronic fund transfer pursuant to wire instructions to be provided by Landlord unless and until otherwise directed by Landlord.

Without limiting the foregoing, except as expressly provided in the immediately following sentence, Tenant's obligation to pay Rent shall be absolute, unconditional, and independent of any Landlord covenants and shall not be discharged or otherwise affected by any law or regulation now or hereafter applicable to the Premises, or any other restriction on Tenant's use, or, except as expressly provided herein, any casualty or taking, or any failure by Landlord to perform or other occurrence; and Tenant waives all rights now or hereafter existing to quit or surrender this Lease or the Premises or any part thereof, or to assert any counterclaim or defense in any action seeking to recover Rent (unless such counterclaim or defense would be lost by Tenant if not raised in such proceeding). Notwithstanding the foregoing to the contrary, nothing in this paragraph shall be deemed to limit Tenant's express right to an abatement of Rent or to terminate the Lease, as applicable, on the terms and conditions set forth in Sections 3.01(c), 3.01(e), 6.01, 10.03(c), and 15.02 and Article 12 of this Lease. Subject to the provisions of this Lease, however, Tenant shall have the right to seek judgments for direct money damages occasioned by Landlord's breach of its Lease covenants (but may not set-off any such judgment against any Rent or other amount owing hereunder).

It is intended that Base Rent payable hereunder shall be a net return to Landlord throughout the term of this lease, as it may be extended (the "Term"), free of expense, charge, offset, diminution or other deduction whatsoever (except as expressly provided herein) on account of the Premises (excepting Landlord's financing expenses, federal and state income taxes of general application, and those expenses that this Lease expressly makes the responsibility of Landlord), and all provisions hereof shall be construed in light of such intent.

4.06. Audit. Landlord shall keep books and records regarding Total Operating Costs. All records shall be retained for at least three (3) years. At the request of Tenant ("Tenant's Audit Notice") given within one hundred eighty (180) days after Landlord delivers Landlord's statement of Total Operating Costs with respect to any fiscal year during the Term, Tenant (at Tenant's expense) shall have the right to examine Landlord's books and records applicable to Total Operating Costs for such fiscal year. Such right to examine the records shall be exercisable: (i) upon reasonable advance notice to Landlord and at reasonable times during Landlord's business hours and (ii) only during the 60-day period (the "Audit Period") following Tenant's Audit Notice. Landlord shall make such books and records available at Landlord's office in Massachusetts or at the Property, or in electronically accessible form. [***], conducted by either a certified public accountant from a nationally-recognized accounting firm or a nationally-recognized commercial real estate services firm, in either case as approved by Landlord for such purpose (such approval not to be unreasonably withheld, conditioned or delayed), [***] Tenant may submit the dispute for determination by an arbitration conducted by the Boston Office of the American Arbitration Association ("AAA") in accordance with the

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AAA's commercial real estate arbitration rules. The arbitrator shall be selected by AAA and shall be a certified public accountant with at least ten (10) years of experience in auditing Class A commercial office and laboratory buildings and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years. [***]. Any auditing firm retained by Tenant pursuant to this paragraph shall not be compensated on a contingent fee basis. [***].

As a condition precedent to performing any such examination of Landlord's books and records, Tenant's examiners shall be required to execute and deliver to Landlord an agreement in form reasonably acceptable to Landlord agreeing to keep confidential any non-public, confidential information that they discover about Landlord or the Building or the Property in connection with such examination and not to disclose the results of such examination except as required by law. Notwithstanding any prior approval of any examiners by Landlord, Landlord shall have the right to rescind such approval at any time if in Landlord's reasonable judgment the examiners have breached any confidentiality undertaking to Landlord or cannot provide reasonably acceptable assurances and procedures to maintain confidentiality.

ARTICLE 5.
TAXES

5.01. **Taxes.** Tenant covenants and agrees to pay to Landlord as Additional Rent Tenant's Pro Rata Share of the Taxes for each fiscal tax period, or ratable portion thereof, included in the Term. If Landlord receives a refund of any such Taxes, Landlord shall credit against Additional Rent next due or, at Landlord's election, pay Tenant its Pro Rata Share of the refund, in each case after deducting Landlord's reasonable costs and expenses incurred in obtaining the refund (to the extent such costs and expenses were not previously included in Operating Expenses or Taxes), but in any event such refund to Tenant shall not exceed amounts paid by Tenant for Taxes on account of the period subject to such refund. Upon Tenant's request, Landlord shall furnish Tenant with copies of the applicable real estate tax bill. Tenant shall make estimated payments on account of Taxes in monthly installments on the first day of each month, in amounts reasonably estimated from time to time by Landlord pursuant to Section 4.02(a).

5.02. **Definition of "Taxes".** "Taxes" means all taxes, assessments, betterments, excises, user fees and all other governmental charges and fees of any kind or nature, or impositions or agreed payments in lieu thereof or voluntary payments made in connection with the provision of governmental services or improvements of benefit to the Building or the Property, and all penalties and interest thereon (if due to Tenant's failure to make timely payments), assessed or imposed against the Premises or the Property (including without limitation any personal property taxes levied on the Property or on fixtures or equipment used in connection therewith), other than a federal or state income tax of general application. Taxes shall not include: any of the foregoing which are levied or assessed against the Property to the extent not attributable to the Term; inheritance, estate, gift, excise, franchise, income, gross receipts, capital levy, revenue, rent, state, payroll, stamp or profit taxes, however designated; or any interest or penalties resulting from the late payment of taxes by Landlord (except to the extent due to Tenant's failure to make timely payments), any environmental assessments, charges or liens arising in connection

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with the remediation of Hazardous Substances (as hereinafter defined) from the Premises or Building, the causation of which arose prior to the Commencement Date of this Lease, or to the extent caused by Landlord, its agents, employees or contractors or any tenant of the Building (other than Tenant or its sublessees or assignees); costs or fees payable to public authorities in connection with any future construction, renovation and/or improvements to the Premises or Building other than the Finish Work, the Tenant Work or improvements to the Premises made by or for Tenant, including fees for transit, housing, schools, open space, child care, arts programs, traffic mitigation measures, environmental impact reports, traffic studies, and transportation system management plans (except to the extent included in the CAM Charges under the Declaration or in the definition of Operating Expenses); reserves for future Taxes; or Taxes allocable to the Parking Garage. If during the Term the present system of taxation of real or personal property shall be changed so that, in lieu of or in addition to the whole or any part of such tax there shall be assessed, levied or imposed on such property or Premises or on Landlord any kind or nature of federal, state, county, municipal or other governmental capital levy, income, sales, franchise, excise or similar tax, assessment, levy, charge or fee (as distinct from the federal and state income tax in effect on the Date of Lease) measured by or based in whole or in part upon Building valuation, mortgage valuation, rents, services or any other incidents, benefits or measures of real property or real property operations, then any and all of such taxes, assessments, levies, charges and fees shall be included within the term of Taxes; provided, however, that Tenant's obligation with respect to such substitute taxes shall be limited to the amount thereof as computed at the rates that would be payable if the Building and Property were the only property of Landlord. Taxes shall also include reasonable expenses, including reasonable fees of attorneys, appraisers and other consultants, incurred by Landlord in connection with any efforts to obtain abatements or reduction or to assure maintenance of Taxes for any year wholly or partially included in the Term, whether or not successful and whether or not such efforts involved filing of actual abatement applications or initiation of formal proceedings. Landlord shall endeavor to have the Property separately assessed from the remainder of the Project by subdivision, condominium regime, or otherwise. In the event that the Building is not taxed separately from the remainder of the Project, Landlord will allocate the taxes on a square footage basis or on such other basis that is reasonably appropriate and equitable. Any exemption from real property taxes for the Property due to any Tax Increment Financing Agreement entered into by the Tenant and the City of Boston shall be allocated entirely to Tenant (i.e. not Tenant's Pro Rata Share) so that Taxes payable by Tenant reflects such exemption.

Landlord shall, upon the written request of Tenant, commence a proceeding for abatement of real estate Taxes, provided Landlord shall thereafter have the right to settle such proceeding for the benefit of tenants in its reasonable discretion. [***]. In the event of any abatement of Taxes for a period occurring during the term of this Lease, Tenant shall be entitled to Tenant's Pro Rata Share of any refund (after deducting Landlord's or Tenant's, as applicable, reasonable cost in obtaining an abatement, if any, to the extent not previously included in Operating Expenses) but in any event such refund to Tenant shall not exceed the amounts on account of Taxes actually paid by Tenant with respect to the period subject to the abatement.

5.03. **Personal Property Taxes.** Tenant shall pay directly all taxes charged against Tenant's trade fixtures, furnishings, equipment, inventory, or other personal property (collectively,

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"Tenant Property"). Tenant shall use its best efforts to have Tenant Property taxed separately from the Property. Landlord shall notify Tenant if any of Tenant Property is taxed with the Property, and Tenant shall pay such taxes to Landlord within thirty (30) days of such notice.

ARTICLE 6.
UTILITIES

6.01. **Utilities.** Tenant shall pay all charges for water, sewer, gas, electricity and other utilities or like services used or consumed on the Premises (each, a "Utility Service" and collectively the "Utility Services"), and used or consumed by all mechanical equipment serving the Premises, wherever located, whether called use charge, tax, assessment, fee or otherwise as the same become due. It is understood and agreed that Landlord shall be responsible for bringing each Utility Service described in the Base Building Work to a common switching point(s) at the Building as shown on the Base Building Work Plans (as defined in

the Work Letter)(collectively, the “Utility Switching Points”). As part of the Base Building Work, Landlord shall install a direct meter to measure electricity serving the Premises and, with respect to all other Utility Services being installed as Base Building Work, a direct, sub- or “check” meter for measuring Tenant’s consumption of such Utility Service. Tenant shall pay all costs and expenses associated with any separately metered utilities (such as electricity and telephone) directly to the applicable service provider. Tenant shall pay all costs and expenses associated with utility charges that are based on a check- or sub-metering metering installation, based on Landlord’s reading of such meters, directly to Landlord at the same rate paid by Landlord to the provider thereof. Additional Rent for any check- or sub-metered utilities may be reasonably estimated monthly by Landlord, based on actual readings of sub — and “check” meters where applicable, and shall be paid monthly by Tenant within thirty (30) days after being billed with a final accounting based upon actual bills received from the utility providers following the conclusion of each fiscal year of the Building. Tenant shall pay for any and all costs to install and connect Utility Services from the Utility Switching Points to the Premises. Landlord shall be under no obligation as to any Utility Services beyond the foregoing responsibility to bring such Utility Services to the Utility Switching Points and as required in the completion of the Finish Work and Landlord shall not be liable for any interruption or failure in the supply of any utilities or Utility Services, except to the extent expressly set forth below.

To the extent permitted by law, Landlord shall have the right at any time and from time to time during the Term to contract for or purchase one or more Utility Services not being obtained directly by Tenant from any company or third party providing Utility Services (“Utility Service Provider”), subject to Tenant approval of the proposed Utility Service Provider, such approval not to be unreasonably withheld, conditioned or delayed, and provided that such alternate Utility Service Provider shall be retained on market terms and conditions. In requesting Tenant consent to a proposed Utility Service Provider, Landlord shall provide Tenant with reasonable documentation regarding the proposed contract to permit Tenant to determine whether such terms meet the foregoing standard. The parties acknowledge that, initially, the only Utility Services not being obtained directly by Tenant are water, sewer and gas, and the City of Boston and Boston Gas Company are the approved initial providers of such respective Utility Services. Provided there shall be no unreasonable interference with Tenant’s operations within the Premises, Tenant agrees reasonably to cooperate with Landlord and the Utility Service Providers

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and at all times as reasonably necessary, and on reasonable advance notice, shall allow Landlord and the Utility Service Providers reasonable access to any utility lines, equipment, feeders, risers, fixtures, wiring and any other such machinery or personal property within the Premises and associated with the delivery of Utility Services.

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ARTICLE 7. INSURANCE

7.01. Coverage. Tenant shall maintain during the Term insurance for the benefit of Tenant and Landlord (as their interests may appear) from insurers rated at least A-/X by A. M. Best (subject to the provisions of Section 7.02, below), with terms and coverages reasonably satisfactory to Landlord and with such increases in limits as Landlord may from time to time reasonably request consistent with requirements at other Comparable Properties. Initially, Tenant shall maintain the following:

(a) Commercial general liability insurance naming Landlord, Landlord’s management agents and Landlord’s mortgagee(s) from time to time as additional insureds, with coverage for premises/operations, personal injury, and contractual liability with combined single limits of liability of not less than \$10,000,000 for bodily injury and property damage per occurrence with a per location aggregate.

(b) Property insurance that shall be primary on the Tenant Work and Finish Work and Tenant’s property, including its laboratory equipment, office furniture, trade fixtures, office equipment, inventory, merchandise and all other items of Tenant Property, in an amount adequate to cover their replacement cost, including a vandalism and malicious mischief endorsement, and sprinkler leakage coverage; business interruption insurance, loss of income and extra expense insurance covering all perils covered by a standard, “Special Form” (as defined from time-to-time by the insurance industry) property insurance policy. Such insurance, with respect only to Tenant Work, Finish Work, and Tenant’s BBW, as defined in Exhibit 10.03, shall name Landlord, and Landlord’s mortgagee(s) from time to time as additional loss payees as their interests may appear. Such insurance shall cover special perils including theft and such other risks Landlord may from time to time reasonably designate if such risks are required by landlords to be insured by tenants of similar properties under similar circumstances, for the full replacement cost value of the covered items and in amounts that meet any co-insurance clause of the policies of insurance, with a deductible amount not to exceed ***].

(c) Workers’ compensation insurance with statutory benefits and employers’ liability insurance in the following amounts: each accident, \$1,000,000; disease (policy limit), \$1,000,000; disease (each employee), \$1,000,000.

In addition, Tenant shall carry such other coverages, and in such amounts, as are required by Landlord from time to time, so long as such coverages and amounts are consistent with

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Comparable Properties. Prior to the Date of Lease and on each anniversary of that date (or on the policy renewal date), Tenant shall give Landlord certificate(s) evidencing such coverage and with an affirmative statement of the agent issuing such certificate that it may not be canceled or coverage limits reduced without at least thirty (30) days’ prior written notice to Landlord and Tenant. Liability insurance maintained by Tenant shall be deemed to be primary insurance, and any liability insurance maintained by Landlord shall be deemed secondary to it.

Tenant may use blanket or excess umbrella coverage to satisfy any of the requirements of this Section 7.01 provided that the Premises is specifically named in any blanket coverage and the limits thereon are available on a per property basis and on such basis comply with the required limits set out herein and that any umbrella coverage is provided on a “following form” basis.

7.02. Action Increasing Rates. Tenant shall comply with Sections 9.01, 9.02, 9.03, and 9.04 and in addition shall not, directly or indirectly, use the Premises in any way that is prohibited by law (nothing in this sentence being deemed to relieve Landlord of its obligations under Sections 9.02 and 9.03). If Tenant, directly or indirectly, uses the Premises in any way that jeopardizes any insurance coverage carried by Landlord or Tenant as reasonably documented by evidence provided by Landlord to Tenant, then Tenant shall, if such use is in violation of the other terms and conditions of this Lease, promptly stop such use. Tenant shall, in any event, reimburse Landlord upon demand for all of Landlord’s costs incurred in providing any insurance to the extent attributable to any special endorsement or increase in premium resulting from the particular business or operations of Tenant, and any special or extraordinary risks or hazards resulting therefrom, including without limitation, any risks or hazards associated with the generation, storage and disposal of so-called biohazards or medical waste. Notwithstanding the foregoing, Tenant’s use of the Premises for the Permitted Uses, generally (as opposed to Tenant’s particular use) in compliance with the terms and conditions of this Lease shall not be deemed legally prohibited or dangerous to people or property for the purposes of this Section 7.02. Tenant shall cure any breach of this Lease on account of Tenant’s failure to carry the insurance required by this Section 7.02 within ten (10) days after notice from Landlord and Tenant shall have no further notice or cure right under Article 14 for any such breach.

The parties acknowledge and agree that, as of the date hereof, their respective insurers maintaining the property and commercial general liability insurers coverages required hereunder currently have an A.M. Best rating of [***] (i.e. in excess of the requirement otherwise set forth in this Article Seven). If at any time during the term of this Lease the Landlord’s or Tenant’s applicable insurance carriers no longer meet the [***] standard (but otherwise meets the [***] standard set forth herein), then, upon at least 30 days’ prior written notice from the other party, such party shall use commercially reasonable efforts to obtain such coverages from an insurer meeting the [***] standard at the sole cost and expense of the requesting party (to the extent that any such change in carrier results in additional costs) provided that nothing in this sentence shall obligate either party to change its insurance carrier if it would adversely affect coverages being provided to any other property under any blanket policy, result in a default under any other agreement to which the insured is a party, or otherwise be prohibited by the terms of the

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applicable insurance policy (and provided that in no event can any such request be made more than once in any 12-month period). [***].

The parties shall direct the Boston office of the AAA to appoint an arbitrator who shall have [***] and who has provided such services to buildings and property [***] and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years. [***].

The arbitration shall be conducted in accordance with the expedited commercial arbitration rules of the AAA insofar as such rules are not inconsistent with the provisions of this Lease (in which case the provisions of this Lease shall govern). [***].

[***]. The arbitrator’s decision shall be final and binding on the parties.

7.03. Waiver of Subrogation. Landlord and Tenant each waive any and every claim for recovery from the other for any and all loss of or damage to the Property or any part of it, or to any of its contents, to the extent such loss or damage is covered by property insurance or would have been covered by property insurance required hereunder. Landlord waives any and every such claim against Tenant that would have been covered had the insurance policies required to be maintained by Landlord by this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies. Tenant waives any and every such claim against Landlord that would have been covered had the insurance policies required to be maintained by Tenant under this Lease been in force, to the extent that such loss or damage would have been recoverable under such policies. This mutual waiver precludes the assignment of any such claim by subrogation (or otherwise) to an insurance company (or any other person), and Landlord and Tenant each agree to give written notice of this waiver to each insurance company that has issued or shall issue any property insurance policy to it, and to have the policy properly endorsed, if necessary, to prevent invalidation of the insurance coverage because of this waiver.

7.04. Landlord’s Insurance. Landlord shall purchase and maintain during the Term with insurance companies rated at least [***] by A.M. Best (subject to the provisions of Section 7.02, above) the following: (i) commercial general liability insurance for incidents occurring in the common areas, with coverage for premises/operations, personal and advertising injury, products/completed operations and contractual liability with combined single limits of liability of not less than \$10,000,000 for bodily injury and property damage per occurrence; and (ii) All Risk property insurance covering property damage to the Building (other than Tenant Work), and loss of rental income (covering off-site events to the extent then available, if such coverage is available at commercially reasonable rates), covering special perils including theft for the full replacement cost value of the Building above foundation walls, [***], with co-insurance waived by inclusion of an agreed amount endorsement together with such other coverages and risks as Landlord shall reasonably decide or a mortgagee or ground lessor may require. As set forth in Section 4.02(a), a portion of the cost thereof shall be borne by Tenant. In addition, Landlord shall name Tenant as an additional insured (except with respect to acts of Tenant Parties) on its Pollution Legal Liability policy and any replacement policy obtained by Landlord from time to time during the term hereof (any such policy being referred to herein as “Environmental Insurance”).

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**ARTICLE 8.
OPERATING EXPENSES**

8.01. Operating Expenses. “Operating Expenses” shall mean all costs and expenses associated with the operation, management, maintenance and repair of the Property, together with the Building’s share of costs associated with the operation, management, maintenance and repair of the common areas of the

Project. Operating Expenses include without limitation costs of: compliance with Landlord's obligations under [Section 10.03\(c\)](#); planting and landscaping; snow removal; utility, water and sewage services; maintenance of signs (other than tenants' signs); supplies, materials and equipment purchased or rented; total wage and salary costs paid to, and all contract payments made on account of, all persons engaged in the operation, maintenance, security, cleaning and repair of the Property, including Social Security, old age and unemployment taxes and so-called "fringe benefits" prorated to the extent engaged in such services to or for the Building; services furnished to tenants of the Property, generally; maintenance, repair and replacement of Building equipment and components; utilities consumed and expenses incurred in the operation, maintenance and repair of the Property including, without limitation, oil, gas, hot/chilled water, and electricity (other than electricity to tenants in their demised premises if Tenant is directly responsible for payment under this Lease on account of electricity consumed by Tenant); workers' compensation insurance and property, liability and other insurance premiums; personal property taxes; rental or lease payments paid by Landlord for rented or leased personal property used in the operation or maintenance of the Property; fees for required licenses and permits; refuse removal; security; an administrative fee in the initial amount of [***] per rentable square foot, increasing by [***] per rentable square foot after the third (3rd) Lease Year and every third (3rd) Lease Year thereafter, subject to a cap of [***] per rentable square foot during the initial term of this Lease and then increasing to a flat [***] per rentable square foot (i.e. without further increases) effective on the commencement of the Extension Term; Landlord's "[Percentage Share](#)" of "CAM Charges" (as defined in the Declaration); any periodic assessments, both regular and special, for which Landlord is or becomes responsible under the Project Documents; and costs incurred by Landlord to comply with the terms and conditions of any governmental approvals affecting operations of the Property (including without limitation the Project Documents). Landlord may use third parties or affiliates to perform any of these services (subject to the limitations on Operating Expenses attributable to services performed by affiliates expressly set forth in the immediately following paragraph), and the cost thereof shall be included in Operating Expenses, provided that Operating Expenses shall not include any property management fee, other than the administrative fee described above. Landlord shall reasonably allocate the cost of any Operating Expenses incurred jointly for the Property and any other property. In addition, if Landlord from time to time repairs or replaces any existing improvements or equipment or installs any new improvements or equipment to the Building (including without limitation energy conservation improvements or other improvements), then the cost of such items that are treated as capital expenses pursuant to generally accepted accounting principles (to the extent not excluded below) shall be amortized over their useful life, as reasonably determined by Landlord, together with interest at an actual or imputed interest rate (at the prime rate of interest then being charged by the Bank of America or its successors, plus 4%) and included in Operating Expenses.

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Notwithstanding the foregoing, Operating Expenses shall not include: the cost of designing and constructing the Landlord Work; the costs of initial contributions, exactions, and costs of a capital nature, for which Landlord is or becomes responsible under the Project Documents (except (i) housing exactions in the amount of \$5.49 per square foot of gross floor area, as defined in the Boston Zoning Code, of the Building, payable in 12 equal annual installments following the issuance of a certificate of occupancy in accordance with the "Development Impact Project Agreement" listed on [Exhibit 2.01\(f\)](#) and (ii) such costs to the extent included in the CAM Charges paid to FPOC for administration of the Common Areas and Facilities); and costs incurred by Landlord in order to construct the Building and any other improvements at the Property and Project in compliance with the terms and conditions of any governmental approvals affecting operations of the Property (including without limitation the Project Documents), the cost of casualty repairs to the extent covered by insurance (except for reasonable deductibles paid by Landlord under insurance policies maintained by Landlord); costs associated with the operation of the business of Landlord and/or the sale and/or financing of the Property, as distinguished from the cost of Property operations, maintenance and repair; any ground or underlying lease rental; costs of disputes between Landlord and its employees, tenants or contractors; bad debt expenses and interest, principal, points and fees on debts or amortization on any mortgage or other debt instrument encumbering the Building or the Property; costs incurred by Landlord to the extent that Landlord is reimbursed by insurance proceeds or is otherwise reimbursed by third parties; expenses in connection with services or other benefits that are not offered to Tenant or to the extent that any other tenant is charged for directly; management fees paid or charged by Landlord in connection with the management of the Building; amounts paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in the Building to the extent the same exceeds the costs of such goods and/or services rendered by unaffiliated third parties on a competitive basis; costs associated with the operation of the business of the entity which constitutes Landlord as the same are distinguished from the costs of operation of the Building, including accounting and legal matters; costs of selling, syndicating, financing, mortgaging or hypothecating any of Landlord's interest in the Building; salaries of executives and owners not directly employed in the management/operation of the Building; the cost of work done (including without limitation leasehold improvements and redecoration work) or services furnished by Landlord exclusively for a particular tenant; the cost of soil and groundwater testing, remediation and other response actions, except to the extent the need therefor arises from any negligence or willful misconduct of Tenant or Tenant's employees, agents or contractors, or any default of Tenant under this Lease; advertising and other fees and costs (including without limitation legal, architectural and brokerage fees and tenant improvement allowances) incurred in procuring tenants; costs incurred in connection with causing the Base Building Work to comply with Legal Requirements existing as of the Commencement Date; repairs, alterations, additions, improvements or replacements made to rectify or correct any defect in the design, materials or workmanship of the Base Building Work or common areas during any warranty period (to the extent covered by warranty) or to comply with any requirements of any governmental authority in effect as of the Commencement Date; costs of repairs, restoration, replacements or other work occasioned by (i) fire, windstorm or other casualty and either (a) paid by insurance required to be carried by Landlord under this Lease, or (b) otherwise paid by insurance (not including any deductible paid by Landlord) then in effect obtained by Landlord, (ii) the exercise by governmental authorities of the right of eminent domain, whether such taking be total or partial, to the extent that Landlord is compensated by

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such governmental authority for such repairs, restoration, replacements or other work, or (iii) the act of any other tenant in the Building, or any other tenant's agents, employees, licensees or invitees to the extent the applicable cost is recovered from such person; Landlord's general overhead and administrative expenses not related to the Building; non-cash items, such as deductions for depreciation and amortization of the Building (except with respect to capital expenditures as specified above) and the Building equipment, or interest on capital invested; costs incurred due to violation by Landlord or any other tenant in the Building of the terms and conditions of any lease; salaries, wages, or other compensation to any employee of Landlord to the extent not assigned to the operation, management, maintenance, or repair of the Building, including accounting or clerical personnel and other overhead expenses of Landlord (except to the extent providing services, such as accounting, for which Landlord would otherwise use a third-party provider); costs of the initial construction of the Base Building Work; repair of defects in the Base Building Work identified in the one year period after substantial completion of the Base Building Work; any expenses related to real estate taxes, insurance, and all expenses for the construction, operation, repair and maintenance of the Parking Garage. None of the

foregoing exclusions from Operating Expenses shall be deemed to entitle Tenant to an exclusion on account of any portion of CAM Charges, Tenant acknowledging that Landlord may vote as part of FPOC on matters affecting the CAM Charges but does not control FPOC. [***].

Tenant shall pay Tenant's Pro Rata Share of Operating Expenses in accordance with Section 4.02.

**ARTICLE 9.
USE OF PREMISES**

9.01. Permitted Uses. Tenant may use the Premises only for the Permitted Uses described in Section 1.10. Tenant shall keep the Premises equipped with appropriate safety appliances to the extent required by applicable laws or insurance requirements relating to Tenant's use of the Premises. Tenant shall comply with Landlord's rules and regulations (the "Rules and Regulations") promulgated from time to time, provided the same are not inconsistent with or in limitation of the provisions of this Lease and are reasonable, and Tenant shall use reasonable efforts to cause its agents, contractors, customers and business invitees to comply therewith. Landlord's initial Rules and Regulations are attached hereto as Exhibit 9.01.

9.02. Indemnification. From and after the Commencement Date, Tenant shall assume exclusive control of all areas of the Premises, including all improvements, utilities, equipment, and facilities therein. Tenant is responsible for the Premises and all of Tenant's improvements, equipment, facilities and installations, wherever located on the Property and all liabilities, including without limitation tort liabilities incident thereto. Tenant shall indemnify, save harmless and defend Landlord, and its members, managers, officers, directors, mortgagees, and employees (collectively, "Indemnitees") from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including reasonable attorneys' fees) arising in whole or in part out of (i) any injury, loss, theft or damage (except to the extent due to the negligence or willful misconduct of the Indemnitees and their respective agents, contractors or Landlord or its employees) to any person or property while on or about the Premises or, to the extent caused by the negligence or willful misconduct of Tenant, the Property; (ii) any condition within the Premises, or, to the extent caused by the negligence or willful misconduct of Tenant, the

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Property and, in each, except for conditions existing prior to the date that Tenant first takes occupancy of the Premises; and (iii) the use of the Premises by, or any act or omission of, Tenant or persons claiming by, through or under Tenant, or any of its agents, employees, independent contractors, suppliers or invitees.

Landlord shall indemnify, save harmless and defend Tenant, and its members, managers, officers, directors, and employees from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including without limitation reasonable legal fees) arising in whole or in part out of any injury, loss, theft or damage (except to the extent due to the negligent acts or omissions of Tenant, its employees, contractors or agents) to any person or property while on or about the common areas of the Property to the extent resulting from the negligent acts or omissions or willful misconduct of Landlord, its employees, agents or contractors.

The provisions of this Section 9.02 shall survive the expiration or earlier termination of this Lease.

9.03. Compliance With Legal Requirements. Tenant shall not cause or permit the Premises, or cause (or permit Tenant Parties to cause) the portions of the Property other than the Premises, to be used in any way that violates any law, code, ordinance, restrictive covenant, encumbrance, governmental regulation, order, permit, approval, Project Document, or any provision of this Lease (each a "Legal Requirement", and collectively the "Legal Requirements"), or constitutes a nuisance or waste, and shall comply with all Legal Requirements applicable to the Premises and Property. Tenant shall obtain and pay for all permits and shall promptly take all actions necessary to comply with all Legal Requirements, including without limitation the Occupational Safety and Health Act, applicable to Tenant's use of the Premises. Notwithstanding the foregoing two sentences to the contrary, Landlord shall be responsible for the compliance of the Base Building Work and the Finish Work with all Legal Requirements as of the Commencement Date. Tenant shall maintain in full force and effect all certifications or permissions required for Tenant's operations at the Premises. Tenant shall be solely responsible for procuring and complying at all times with any and all necessary permits, certifications, permissions and the like and complying with all reporting requirements directly relating or incident to: the conduct of its activities on the Premises; its scientific experimentation; transportation, storage, handling, use and disposal of any chemical or radioactive or bacteriological or pathological substances or organisms or other hazardous wastes or environmentally dangerous substances or materials or medical waste. Within ten (10) days of a request by Landlord, which request shall be made not more than once during each period of twelve (12) consecutive months during the Term hereof, unless otherwise requested by any mortgagee of Landlord, Tenant shall furnish Landlord with copies of all such permits that Tenant possesses or has obtained together with a certificate certifying that such permits are all of the permits that Tenant possesses or has obtained with respect to the Premises. Tenant shall promptly give notice to Landlord of any written orders, warnings or violations relative to the above received from any federal, state, or municipal agency or by any court of law and shall promptly comply with and cure the conditions causing any such violations in accordance with applicable Legal Requirements. Tenant shall not be deemed to be in default of its obligations under the preceding sentence to promptly cure any condition causing any such violation in the event that, in lieu of such cure, Tenant shall contest the validity of such violation by appellate or other proceedings permitted under applicable law, provided that: (i)

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any such contest is made reasonably and in good faith, (ii) Tenant makes provisions, including, without limitation, posting bond(s) or giving other security, reasonably acceptable to Landlord to protect Landlord, the Building and the Property from any liability, costs, damages or expenses arising in connection with such violation and failure to cure, (iii) Tenant shall agree to indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from and against any and all liability, costs, damages, or expenses arising in connection with such condition and/or violation, (iv) Tenant shall promptly cure any violation in the event that it exhausts all available appeals without success, and (v) Tenant shall certify to Landlord's reasonable satisfaction that Tenant's decision to delay such cure shall not result in any actual or threatened bodily injury or property damage to Landlord, any tenant or occupant of the Building or the Property, or any other person or entity.

Landlord shall be responsible for the compliance of the structural elements, roof and building systems to the Utility Switching Points of the Building, and the common areas of the Building and the Property, with all Legal Requirements except to the extent compliance is required due to Tenant's particular use of the Premises, as opposed to the Permitted Uses generally.

9.04. Hazardous Substances. "Environmental Law" means all statutes, laws, rules, regulations, codes, ordinances, authorizations and orders of federal, state and local public authorities pertaining to any Hazardous Substances or to environmental compliance, contamination, cleanup or disclosures of any release or threat of release to the environment, of any Hazardous Substances, including, without limitation, the Toxic Substances Control Act, 15 U.S.C. § 2601, et seq.; the Clean Water Act, 33 U.S.C. § 1251, et seq.; the Clean Air Act, 42 U.S.C. § 7401, et seq.; the Safe Drinking Water Act, 42 U.S.C. § 300f-300j, et seq.; the Federal Water Pollution Control Act, 33 U.S.C. § 1321, et seq.; the Solid Waste Disposal Act, 42 U.S.C. § 6901, et seq.; the Comprehensive Environmental Response, Compensation and Liability Act of 1980, 42 U.S.C. Section 9601 et seq.; the Federal Resource Conservation and Recovery Act, 42 U.S.C. Section 6901 et seq.; the Superfund Amendments and Reauthorization Act of 1986, Public Law No. 99-499 (signed into law October 17, 1986); M.G.L. c.21C; and oil and hazardous materials as defined in M.G.L. c.21E, as any of the same are from time to time amended, and the rules and regulations promulgated thereunder, and any judicial or administrative interpretation thereof, including any judicial or administrative orders or judgments, and all other federal, state and local statutes, laws, rules, regulations, codes, ordinances, standards, guidelines, authorizations and orders regulating the generation, storage, containment or disposal of any Hazardous Substances, including but not limited to those relating to lead paint, radon gas, asbestos, storage and disposal of oil, biological, chemical, radioactive and hazardous wastes, substances and materials, and underground and above-ground oil storage tanks; and any amendments, modifications or supplements of any of the foregoing.

"Hazardous Substances" means, but shall not be limited to, any hazardous substances, hazardous waste, environmental, biological, chemical, radioactive substances, oil, petroleum products and any waste or substance, which because of its quantitative concentration, chemical, biological, radioactive, flammable, explosive, infectious or other characteristics, constitutes or may reasonably be expected to constitute or contribute to a danger or hazard to public health, safety or welfare or to the environment, including without limitation any asbestos (whether or

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not friable) and any asbestos-containing materials, lead paint, waste oils, solvents and chlorinated oils, polychlorinated biphenyls (PCBs), toxic metals, etchants, pickling and plating wastes, explosives, reactive metals and compounds, pesticides, herbicides, radon gas, urea formaldehyde foam insulation and chemical, biological and radioactive wastes, or any other similar materials that are regulated by any Environmental Law.

Tenant may generate, produce, bring upon, use, store or treat Hazardous Substances in the Premises in connection with its operations at the Premises provided that (x) such use is in compliance with all applicable Legal Requirements, including without limitation Environmental Laws, and in compliance with the terms and conditions of this Lease, (y) as to any Hazardous Substances, processes, or procedures not then subject to Legal Requirements, such activities are conducted in accordance with standard laboratory practices for tenants conducting similar operations in Comparable Properties, and do not endanger or create a hazard to public health, safety or welfare or to the environment, within the Building or in the area of the Property, generally, and (z) in no event shall Tenant generate, produce, bring upon, use, store or treat Hazardous Substances with a risk category higher than Biosafety Level 2 as established by the Department of Health and Human Services ("DHHS") and as further described in the DHHS publication Biosafety in Microbiological and Biomedical Laboratories (5th Edition) (as it may be or may have been further revised, the "BMBL") or such nationally recognized new or replacement standards as may be reasonably selected by Landlord if applicable to similar facilities in the City of Boston, provided that such new or replacement standards may update requirements but shall not be materially more restrictive on Tenant's use than Biosafety Level 2 as of the Date of Lease. In all events Tenant shall comply with all applicable provisions of the BMBL. Furthermore, beginning on the Commencement Date, on an annual basis or upon Landlord's request following the occurrence of any Environmental Incident, or on no more than one additional occasion during any year if reasonably requested by Landlord's mortgagee(s) in connection with any financing or refinancing of the Property, Tenant shall provide Landlord with a list detailing the types and amounts of all Hazardous Substances being generated, produced, brought upon, used, stored, treated or disposed of by or on behalf of Tenant in or about or on the Premises, Building or Property and, upon Landlord's request, copies of any manifests or other federal, state or municipal filings by Tenant with respect to such Hazardous Substances (redacted to protect confidential information to the extent such redactions are permitted by the applicable federal, state or municipal authorities having jurisdiction over such filings). Tenant agrees to pay the reasonable cost of any environmental inspection or assessment requested by any lender that holds a security interest in the Property or this Lease, or by any insurance carrier, to the extent that such inspection or assessment pertains to any release, reasonable threat of release, contamination, or a loss or damage or determination of condition related to the foregoing (together, "Environmental Incidents") in the Premises other than Environmental Incidents arising prior to the Commencement Date or migrating to the Premises from some other part of the Building or Property due to environmental conditions existing prior to the Commencement Date or through no fault, act or omission of Tenant.

If any transportation to or from, or any storage, use or disposal of Hazardous Substances on or about, the Property by any Tenant Party results in any escape, or release, reasonable threat of release, contamination of the soil or surface or ground water or any loss or damage to person or property (any such event, a "Tenant Environmental Incident"), Tenant agrees to: (a) notify

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Landlord immediately of the occurrence; (b) after consultation with Landlord, clean up the occurrence in full compliance with all applicable Environmental Laws and (c) indemnify, save harmless and defend the Indemnitees from and against any and all claims, damages, losses, penalties, costs, expenses and fees (including reasonable attorneys' fees) arising in whole or in part out of such occurrence. In the event of such occurrence, Tenant agrees to cooperate fully with Landlord and provide such documents, affidavits, and information and take such actions as may be requested by Landlord from time to time (1) to comply with any Environmental Law or Legal Requirement, (2) to comply with any request of any mortgagee, insurer or tenant, and/or (3) for any other reason deemed necessary by Landlord in its sole discretion. In the event of any such occurrence that is required to be reported to a governmental authority under any Environmental Law or Legal Requirement, Tenant shall simultaneously deliver to Landlord copies of any notices given or received by Tenant and shall promptly pay when due any fine or assessment against Landlord, Tenant, or the Premises or Property relating to such occurrence.

Tenant acknowledges that it has received and reviewed certain environmental reports listed on Exhibit 9.04 (the “Environmental Reports”) regarding the condition of the Property and that, upon the Commencement Date, subject to the provisions of this paragraph, Tenant shall accept the Premises in the condition existing as of the date of this Lease with respect to the presence of Hazardous Substances. [***]. For the purposes of this paragraph, “response” has the meaning set forth in Section 2 of Chapter 21E of the Massachusetts General Laws. Expenses, losses and liabilities, as described above, shall include, without limitation (i) any and all expenses that Tenant may incur to comply with any Environmental Laws on account of such Occurrences; (ii) any and all costs that Tenant may incur in studying or remedying any Occurrences at or arising from the Premises, Building or the Property; (iii) any and all costs that Tenant may incur in studying, removing, disposing or otherwise addressing any Hazardous Substances on account of such Occurrences; (iv) any and all fines, penalties or other sanctions assessed upon Tenant on account of such Occurrences; (v) any and all reasonable legal and professional fees and costs incurred by Tenant in connection with the foregoing; and (vi) losses due to bodily injury or physical damage to property incurred by Tenant due to Landlord’s failure to undertake response actions required pursuant to, and within time periods required by, Legal Requirements on account of any such Occurrences. Tenant’s right to the foregoing indemnities shall be conditioned on Tenant giving prompt written notice to Landlord of any claim, demand or threat of claim or demand made upon Tenant by any governmental agency or other person. Landlord shall have the right, but not any obligation, to control the defense of any such matter which could result in an indemnification obligation by Landlord under this provision. Landlord shall be subrogated to any and all claims, rights and defenses Tenant has against other persons with respect to any such matter, and Tenant shall not settle, compromise or adjust any such claim or right or any indemnified matter without the prior written consent of Landlord.

The provisions of this Section 9.04 shall survive the expiration or earlier termination of this Lease.

9.05. Signs and Auctions. Tenant, at Tenant’s expense and subject to Landlord’s reasonable approval with respect to the location and design, shall have the exclusive right to install and maintain (i) reasonable amounts of non-retail signage in the Building lobby identifying Tenant and (ii) reasonable amounts of non-retail exterior signage on the Building identifying Tenant to

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the extent permitted by all Legal Requirements. Tenant shall be entitled, at Tenant’s sole cost and expense, to Tenant’s Pro Rata Share of any monument signage to which the Building has rights in the Project. Tenant shall not conduct or permit any auctions or sheriff’s sales at the Property. Landlord shall have the reserved right to install directional signage in the main lobby of the Building to direct visitors to the Parking Garage, [***] and to install signage identifying Landlord and Landlord’s property manager at the Building (but not within the Premises). Landlord shall cooperate with Tenant as is reasonably required, in Landlord’s capacity as owner of the Building, to apply for and obtain approvals from municipal authorities for any exterior signage pursuant to clause (ii) above, without any obligation for Landlord to incur any out-of-pocket expenses on account of such cooperation except to the extent that Tenant reimburses Landlord for the same.

9.06. Landlord’s Access. Landlord or its agents may enter the Premises at all reasonable times (i) to show the Premises to potential and actual buyers, investors, lenders, or, in the last eighteen (18) months of the Term (provided that Tenant has not timely exercised its right to extend the Term pursuant to Section 3.03), prospective tenants; (ii) to inspect and monitor Tenant’s compliance with Legal Requirements governing Hazardous Substances, and to inspect the Premises to determine whether Tenant is in compliance with the terms of this Lease, but any entries pursuant to this clause (ii) shall require at least two (2) business days’ prior notice, shall be during normal business hours (unless otherwise agreed by Tenant) and shall not occur more often than once annually during the term of this Lease except where a notice of default has been provided to Tenant or where such inspections are required by Landlord’s mortgagees or insurers; (iii) for purposes described in Sections 2.01(c), 9.04 and/or 10.04(b), or (iv) for any other purpose Landlord reasonably deems necessary in connection with the exercise of Landlord’s rights and obligations under this Lease. Landlord shall give Tenant reasonable prior notice (which shall be not less than 24 hours and may be via e-mail to vertex_operations@vrtx.com or an alternative e-mail address provided to Landlord in writing from time to time) of such entry. Landlord shall cooperate with Tenant to schedule any such entry and activity at a time designed to reduce any inconvenience to Tenant. Tenant shall have the right to have a representative of Tenant accompany Landlord during any such entry, but entry shall not be prohibited if Tenant fails to provide an accompanying representative (in the event of which failure, Landlord shall attempt at least one phone call to each Tenant’s Designated Representative (as defined below), if any then exists, to notify Tenant of such failure prior to any entry). However, in case of emergency, Landlord may enter any part of the Premises with such notice as is reasonably practicable or without prior notice if notice is impracticable and without Tenant’s representative, if necessary, and shall, if no notice was provided (Landlord agreeing that it shall endeavor to provide an e-mail notice to the e-mail address provided above), promptly notify Tenant of the nature and extent of such entry. During Landlord’s access of the Premises, Landlord shall comply with reasonable security provisions required by Tenant to preserve the confidential nature of information in whatever form maintained within the Premises. For safety, security, confidentiality or compliance with law purposes, Tenant may designate certain limited areas as limited access areas to be shown on plans provided by Tenant to Landlord and updated by Tenant as reasonably necessary in the future to which Landlord and related parties shall not have access except in an emergency or as otherwise reasonably necessary and then only in accordance with a mutually agreed-upon plan to protect Tenant’s reasonable concerns regarding safety, security and confidentiality, provided that such limited access areas shall be reasonably

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identified and necessary to protect the health of persons or security of confidential and proprietary information. Landlord and Tenant will develop a protocol limiting and controlling the distribution of Landlord’s keys or other access devices to the Premises. “Tenant’s Designated Representative” shall mean (a) a person with an office at the Premises identified by Tenant in writing to Landlord from time to time as the primary point of contact for Landlord’s access to the Premises and (b) the on-site supervisor of Tenant’s private security, if any, that is then on duty. Tenant shall provide Landlord with a phone number for Tenant’s Designated Representative with any notice designating such person, and any change in the identification of Tenant’s Designated Representative shall take effect five (5) business days following delivery of such notice to Landlord.

9.07. Security. Tenant shall be solely responsible, at Tenant’s sole cost and expense, to provide any security measures that Tenant requires within, and at the entries to, the Premises. Tenant shall provide Landlord with a written description of its security plan from time to time, outlining Tenant’s security measures to the extent applicable to visitors, guests, and others entitled to access the Premises (Tenant being permitted to redact from such security plan any

Confidential Information, as defined in [Section 16.14](#)). Tenant's security plan shall include the designation of a person or persons who shall be on the Premises 24 hours, seven days a week to the extent required for the purposes of fulfilling municipal fire command obligations (Landlord acknowledging that such person may be a third-party contractor or designee thereof). Tenant shall have reasonable access to the Property outside the Premises to install and operate any such security measures, including installation of security video cameras in the Premises and Common Areas and Facilities located on the Property (and the retail loading docks on the Property), subject to Landlord's reasonable approval. In no event may Tenant's security measures restrict or impede access to the Parking Garage through the main lobby of the Building.

Landlord shall develop, or cause to be developed by FPOC, jointly with Tenant and subject to Tenant approval, such approval not to be unreasonably withheld, conditioned or delayed, a commercially reasonable security and operations plan (the "[Security Plan](#)") for the exterior perimeter and common areas of the Building and the Parking Garage. Operating Costs of security outside of the Premises related to Tenant's use of the Premises that are in excess of those typically anticipated for the other uses at the Project will be allocated entirely to Tenant. Landlord shall provide for security to the Property in accordance with the Security Plan. Notwithstanding the fact that Landlord provides security services at the Property at any time during the Term, to the extent permitted by applicable law, Landlord shall not be deemed to owe Tenant, or any person claiming by, through or under Tenant, any special duty or standard of care as a result of Landlord's provision of such security services other than the duty or standard of care that would have applied without such services and in no event shall Landlord be responsible for the efficacy of any such security measures.

Tenant acknowledges and agrees that all maintenance, repair, replacement, operation and administration of the "Fan Pier Project Common Areas and Facilities" (as defined in the Declaration) are under the control of the Developer or FPOC and that the Developer's or FPOC's election to provide mechanical surveillance or to post security personnel in the Fan Pier Project Common Areas and Facilities is subject to the Developer's or FPOC's sole discretion. Landlord will provide, and cause Landlord affiliates owning parcels within the Project to provide, in the

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Declaration a definition of "First Class Standard" for the maintenance and operation of Fan Pier Project Common Areas and Facilities, as follows: "the standard according to which first class multi-use developments including office, research laboratory, hotel and residential buildings therein of a size and otherwise reasonably comparable to the Project are then being maintained in major urban areas within the United States. Without limiting the generality of the foregoing, with respect to the level of security in the Fan Pier Project Common Areas and Facilities, First Class Standard shall not be less than the following from and after the Substantial Completion of the Building: a sufficient number of trained security personnel shall patrol the Fan Pier Common Areas and Facilities so as to walk the perimeter of all of the Initial Improvements (as defined in the Declaration) and through the Open Space Areas (as defined in the Declaration) at intervals of approximately every hour on a 24 hour/7 days per week basis. Such security personnel shall be equipped with communication equipment for contacting 911 in case of emergency, and shall log their rounds using fobs such as Detex system." The Landlord shall exercise reasonable efforts to prevent future amendment of the Declaration to reduce this level of security. Notwithstanding anything to the contrary contained in this Lease, Landlord's sole responsibility with respect to the maintenance, repair, replacement, operation, administration or the provision of surveillance or security in the Fan Pier Project Common Areas and Facilities shall be to use commercially reasonable efforts to enforce the obligations of the Developer or FPOC under the Declaration. Tenant shall hold Landlord harmless from any claim concerning the failure to maintain any portion of the Fan Pier Project Common Areas and Facilities, other than a failure of Landlord to use commercially reasonable efforts to enforce the Developer or FPOC's obligations under the Project Documents or to the extent such failure results from a failure to fund Landlord's share of assessments under the Declaration (other than as a result of Tenant's default).

**ARTICLE 10.
CONDITION AND MAINTENANCE OF PREMISES AND PROPERTY**

10.01. Condition of Premises and Property. Tenant acknowledges that except for any express representations in this Lease, neither Landlord nor any person acting under Landlord has made any representation as to the condition of the Property or the suitability of the Property for Tenant's intended use. Tenant represents and warrants that Tenant has made its own inspection and inquiry regarding the Property and is not relying on any representations of Landlord or any Broker or persons acting under either of them except for any express representations in this Lease.

10.02. Exemption and Limitation of Liability.

(a) Exemption from Liability. Tenant shall insure its personal property under a "Special Form" (as defined by the insurance industry). Landlord shall not be liable for any damage or injury to the person, property or business (including loss of revenue, profits or data) of any Tenant Party except to the extent of any damage or injury to persons or property arising from Landlord's negligence or willful misconduct (but subject to the provisions of [Section 7.03](#) and exclusions from liability set forth in Section 10.02(c), and nothing in this sentence shall be construed to limit Tenant's express remedies pursuant to Sections 6.01 and 12.01 of this Lease). Except as otherwise expressly provided in this Lease, this exemption

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shall apply whether such damage or injury is caused by (among other things): (i) fire, steam, electricity, water, gas, sewage, sewer gas or odors, snow, ice, frost or rain; (ii) the breakage, leaking, obstruction or other defects of pipes, faucets, sprinklers, wires, appliances, plumbing, windows, air conditioning or lighting fixtures or any other cause; (iii) any other casualty or any Taking; (iv) theft; (v) conditions in or about the Property or from other sources or places; or (vi) any act or omission of any other tenant.

(b) Limitations On Liability. Tenant agrees that Landlord shall be liable only for breaches of its covenants occurring while it is owner of the Property (provided, however, that if Landlord from time to time is lessee of the ground or improvements constituting the Building, then Landlord's period of ownership of the Property shall be deemed to mean only that period while Landlord holds such leasehold interest). Upon any sale or transfer of the Building (or Landlord's interest as ground lessee, as applicable), the transferor Landlord (including any mortgagee) shall be freed of any liability or

obligation thereafter arising to the extent that such liabilities and obligations are assumed by such transferee and, thereafter, Tenant shall look solely to the transferee Landlord as aforesaid for satisfaction of such liability or obligation. Tenant and each person acting under Tenant agrees to look solely to Landlord's interest from time to time in the Property, including the rents, insurance proceeds and condemnation proceeds therefrom, for satisfaction of any claim against Landlord. No owner, trustee, beneficiary, partner, member, manager, agent, or employee of Landlord (or of any mortgagee or any lender or ground or improvements lessor) nor any person acting under any of them shall ever be personally or individually liable to Tenant or any person claiming under or through Tenant for or on account of any default by Landlord or failure by Landlord to perform any of its obligations hereunder, or for or on account of any amount or obligations that may be or become due under or in connection with this Lease or the Premises; nor shall it or they ever be answerable or liable in any equitable judicial proceeding or order beyond the extent of their interest in the Property. No owner, trustee, beneficiary, partner, member, manager, agent or employee of Tenant nor any person acting under any of them shall ever be personally or individually liable to Landlord or any person acting under or through Landlord for or on account of any default by Tenant or failure by Tenant to perform any of its obligations that may be or become due under or in connection with this Lease or the Premises. No deficit capital account of any member or partner of Landlord shall be deemed to be a liability of such member or partner or an asset of Landlord.

(c) No Indirect or Consequential Damages. In no event shall Landlord or Tenant ever be liable to the other for indirect or consequential damages (including loss of revenue, profits, or data); provided, however, that no remedies or damages expressly provided in this Lease shall be considered indirect or consequential, and that the provisions of this Section 10.02(c) shall not apply to Sections 3.02 and 9.04 of this Lease.

10.03. Landlord's Obligations.

(a) Base Building Work. Landlord shall construct the Base Building Work as further set forth on Exhibit 10.03, attached.

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(b) Finish Work. Landlord shall construct the Finish Work as further set forth in Exhibit 10.03, attached. Payments for such Finish Work and other provisions relating to Finish Work will be as provided in Exhibit 10.03.

(c) Repair and Maintenance. Subject to the provisions of Article 12, and except for damage caused by any act or omission of Tenant or persons acting under Tenant, Landlord shall make such repairs and replacements to the roof structure and roof membrane; exterior walls; floor slabs, footings, foundations, columns, and other structural components of the Building; glass in exterior windows and exterior doors of the Building; and other Building systems up to the Utility Switching Points, as may be necessary to properly maintain them in good repair and condition. Landlord shall have no obligation to repair or maintain any portion of the Premises or perform any service, except as specifically set forth in this paragraph. Tenant shall promptly report in writing to Landlord any defective condition known to it that Landlord is required to repair. Tenant waives the benefit of any present or future law that provides Tenant the right to repair the Premises or Property at Landlord's expense or to terminate this Lease because of the condition of the Property or Premises (but nothing in this sentence shall be deemed to limit Tenant's exercise of the remedies expressly provided in the immediately following paragraph).

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10.04. Tenant's Obligations.

(a) Repair and Maintenance. Except for work that Section 10.03 or Article 12 requires Landlord to do, Tenant at its sole cost and expense shall keep the Premises including without limitation all elevators; elevator shafts; heating, ventilation and air conditioning equipment; fixtures, systems and equipment of any type serving the Premises, and now or hereafter on the Premises, or elsewhere serving the Premises, in good order, condition and repair (and at least as good order, condition and repair as they are in on the Commencement Date or may be put in during the Term), normal wear and tear, casualty and condemnation (to the extent the responsibility of Landlord pursuant to Article 12 hereof) excepted; shall keep in a safe, secure and sanitary condition all trash and rubbish temporarily stored at the Premises; and shall make all repairs and replacements and do all other work necessary for the foregoing purposes whether the same may be ordinary or extraordinary, foreseen or unforeseen. The foregoing shall include without limitation Tenant's obligation to repair, maintain, and replace floors and floor coverings, to paint and repair walls and doors, to replace and repair all glass in windows and doors of the Buildings (except glass in the exterior walls of the Buildings and in exterior doors), ceiling tiles, lights and light fixtures, pipes, conduits, wires, drains and the like in the Premises and to make as and when needed as a result of misuse by, or neglect or improper conduct of Tenant or any Tenant Party or otherwise, all repairs necessary, which repairs and replacements shall be in quality and class equal to the original work. Tenant shall secure, pay for, and keep in force third-party maintenance and service contracts with appropriate and reputable service companies approved by Landlord (such approval not to be unreasonably withheld, conditioned or delayed) providing for the regular maintenance of all elevators, elevator shafts, heating,

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ventilation and air conditioning equipment, Building systems, the Building life safety system including the emergency generator connected to the Building life safety system and the fire command center; and other elements of the Premises within Tenant's repair and maintenance responsibility that landlords of Comparable Properties typically service by use of third-party service companies (collectively, the "Service Contracts"), copies of which shall be provided to Landlord, and Tenant shall provide to Landlord in a timely manner such periodic inspection reports (but no less frequently than annually) as are prepared by the service providers under the Service Contracts.

Without limitation, Tenant shall be responsible for heating, ventilating and air-conditioning systems to the extent exclusively serving the Premises and Utility Services serving the Premises from the Utility Switching Points. If anything required pursuant to this Section 10.04(a) to be repaired cannot be fully repaired or restored, Tenant upon prior notice to Landlord shall replace it at Tenant's cost, even if the benefit or useful life of such replacement

extends beyond the Term provided, however that if, in the last three years of the Term, (i) the replacement has been approved in advance and in writing by Landlord, not to be unreasonably withheld, and (ii) the property subject to replacement will become the property of Landlord pursuant to the terms of this Lease at the conclusion of the Term, then within ninety (90) days after the expiration of the Term, Landlord shall reimburse Tenant for the unamortized portion of the capital replacement calculated as follows: upon receipt of notice from Tenant of the need for such capital replacement, Landlord and Tenant shall cooperate to determine the estimated cost of such replacement. The actual cost of the replacement, as documented by Tenant and subject to Landlord's approval (which shall not be unreasonably withheld), shall be amortized over the useful life of such replacement as reasonably determined by Landlord on a straight line basis together with interest at the prime interest rate from time to time announced by Bank of America (or any successor financial institution). Tenant shall transfer to Landlord all of its rights and interests in any warranties, together with copies of the same, related to said replacement at the conclusion or earlier expiration of the Term. Tenant acknowledges that Landlord has the right, but not the obligation, to reduce the amount payable at the conclusion of the Term to Tenant pursuant to this paragraph by any amounts of Rent then due and payable to Landlord.

Tenant shall hire its own cleaning contractor for the Premises. Notwithstanding anything to the contrary in this Lease, it is expressly understood and agreed that Landlord shall have no liability or responsibility for the storage, containment or disposal of any Hazardous Substances generated, stored or contained by Tenant, Tenant hereby agreeing to store, contain and dispose of any and all such Hazardous Substances at Tenant's sole cost and expense in accordance with the provisions of Article 9 hereof.

Tenant acknowledges that the Parking Garage is open to the general public and that access to the Parking Garage must be maintained open to the public through the main Building lobby and the common stairways and stairwells providing access to the Parking Garage from the lobby at all times during the Term, subject to matters described in Article 12. Stairways and stairwells and elevators serving the Parking Garage shall be differentiated and secured from stairways, stairwells and elevators serving the Building so that there is no direct access from the Parking Garage to the upper floors of the Building without entering the lobby.

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Notwithstanding anything to the contrary herein, such lobby shall be maintained by Tenant in a condition consistent with main building lobbies in Class A office buildings in the Seaport District of the City of Boston, Massachusetts.

(b) Landlord's Right to Cure. If Tenant does not perform any of its obligations under Section 10.04(a), Landlord upon twenty (20) days' prior notice to Tenant (or without prior notice in the case of an emergency) may perform such maintenance, repair or replacement on Tenant's behalf, and Tenant shall reimburse Landlord for all costs reasonably incurred, plus an administrative charge of ten percent (10%) of such costs, within thirty (30) days following invoice from Landlord.

(c) Other Tenant Work. Tenant shall perform all work, other than the Landlord Work, required to prepare the Premises for Tenant's use and occupancy.

10.05. Tenant Work.

(a) General. "Tenant Work" shall mean all work, including demolition, improvements, additions and alterations, in or to the Premises other than the Landlord Work. Without limitation, Tenant Work includes any penetrations in the walls, partitions, ceilings or floors and all attached carpeting, all signs visible from the exterior of the Premises, and any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like). All Tenant Work shall be subject to Landlord's prior written approval and shall be arranged and paid for by Tenant all as provided herein; provided that any interior, non-structural Tenant Work (including any series of related Tenant Work projects) that (a) costs less than [***] (the "Tenant Work Threshold Amount", (b) does not adversely affect any fire-safety, telecommunications, electrical, mechanical, or plumbing systems of the Building ("Core Building Systems") (it being agreed that the mere use of such Core Building Systems in a manner within the designed load and capacity of such Core Building Systems, and in accordance with applicable operating specifications, is not deemed to have an adverse affect in and of itself), and (c) does not adversely affect any penetrations in or otherwise affect any walls, floors, roofs, or other structural elements of the Building or any signs visible from the exterior of the Premises or any change in the exterior appearance of the windows in the Premises (including shades, curtains and the like) shall not require Landlord's prior approval if Tenant delivers the Construction Documents (as defined in Section 10.05(b)) for such work to Landlord at least five (5) business days' prior to commencing such work. When Tenant requests Landlord's approval pursuant to the foregoing sentence with respect to Tenant Work requiring Landlord's prior written approval, such approval shall be granted or denied by Landlord within ten (10) business days after Landlord's actual receipt of such request provided that Tenant indicates in a prominent location and in prominent bold type, that Landlord is obligated to respond to such request within ten (10) business days. Landlord shall not unreasonably withhold, condition or delay Landlord's approval of Tenant Work, but Landlord's disapproval of proposed Tenant Work shall not be unreasonable where, in Landlord's reasonable judgment, such proposed Tenant Work (i) adversely affects any structural component of the Building, (ii) would be incompatible with the Core Building Systems, (iii) affects the exterior or the exterior appearance of the Building or common areas within or around the Building or other property than the Premises, (iv) diminishes the value of the Premises or the Property, or (v) requires any unusual expense to readapt the Premises.

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Landlord shall cooperate with Tenant, at no cost and liability to Landlord, to execute any permit applications requiring execution by the Building owner in connection with Tenant Work. Prior to commencing any Tenant Work affecting air disbursement from ventilation systems serving the Premises or the Building, including without limitation the installation of Tenant's exhaust systems, Tenant shall provide Landlord with a third party report from a consultant, and in a form, reasonably acceptable to Landlord, showing that such work will not adversely affect the ventilation systems of the Building (or of any other tenant in the Building) and shall, upon completion of such work, provide Landlord with a certification reasonably satisfactory to Landlord from such consultant confirming that no such adverse effects have resulted from such work. In its grant of approval of any Tenant Work, in order to require that Tenant remove at Tenant's cost such Tenant Work at the end of the Term, Landlord must notify Tenant of such restoration requirement

contemporaneously with Landlord's approval of the plans and specifications for such Tenant Work. If Tenant Work did not require prior approval by Landlord, Landlord may require that such Tenant Work be removed at the end of the Term if such Tenant Work is not readily useable for first class office and laboratory purposes.

(b) Construction Documents. No Tenant Work shall be effected except in accordance with complete, coordinated construction drawings and specifications ("Construction Documents") prepared in accordance with Exhibit 10.05(b). Before commencing any Tenant Work requiring Landlord's approval hereunder, Tenant shall obtain Landlord's prior written approval of the Construction Documents for such work, which approval shall not be unreasonably withheld, conditioned or delayed. The Construction Documents shall be prepared by an architect or, where applicable, a qualified engineer (in either case, "Tenant's Architect") registered in the Commonwealth of Massachusetts, experienced in the construction of tenant space improvements in comparable buildings in the area where the Premises are located and, if the value of such Tenant Work will equal or exceed the Tenant Work Threshold Amount or will affect any Core Building Systems or structural components of the Building, the identity of such Tenant's Architect shall be approved by Landlord in advance, such approval not to be unreasonably withheld. Tenant shall be solely responsible for the liabilities associated with and expenses of all architectural and engineering services relating to Tenant Work and for the adequacy, accuracy, and completeness of the Construction Documents even if approved by Landlord (and even if Tenant's Architect has been otherwise engaged by Landlord in connection with the Building). The Construction Documents shall set forth in detail the requirements for construction of the Tenant Work and shall show all work necessary to complete the Tenant Work including all cutting, fitting, and patching and all connections to the mechanical, electrical, and plumbing systems and components of the Building. Submission of the Construction Documents to Landlord for approval shall be deemed a warranty that, except as is specifically and expressly set forth therein, all Tenant Work described in the Construction Documents (i) complies with all applicable laws, regulations, building codes, and highest design standards, (ii) does not materially and adversely affect any structural component of the Building, (iii) is compatible with and does not adversely affect the Core Building Systems, (iv) does not affect any property other than the Premises, and (v) conforms to floor loading limits specified by Landlord. The Construction Documents shall comply with Landlord's requirements for the uniform exterior appearance of the Building. Landlord's

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approval of Construction Documents shall signify only Landlord's consent to the Tenant Work shown and shall not result in any responsibility of Landlord concerning compliance of the Tenant Work with laws, regulations, or codes, or coordination or compatibility with any component or system of the Building, or the feasibility of constructing the Tenant Work without damage or harm to the Building, all of which shall be the sole responsibility of Tenant.

(c) Performance. The identity of any person or entity (including any employee or agent of Tenant) performing or designing any Tenant Work ("Tenant Contractor") shall, if the cost of such work in any instance is in excess of the Tenant Work Threshold Amount or will affect any Core Building Systems or structural components of the Building or involves any work other than interior, nonstructural alterations, be approved in advance by Landlord, such approval not to be unreasonably withheld. Once any Tenant Contractor has been approved, then the same Tenant Contractor may thereafter be used by Tenant for the same type of work until Landlord notifies Tenant that such Tenant Contractor is no longer approved. Tenant shall procure at Tenant's expense all necessary permits and licenses before undertaking any Tenant Work. Tenant shall perform all Tenant Work at Tenant's risk in compliance with all applicable laws and in a good and workmanlike manner employing new materials of good quality and producing a result at least equal in quality to the other parts of the Premises. When any Tenant Work is in progress, Tenant shall cause to be maintained insurance as described in the Tenant Work Insurance Schedule attached as Exhibit 10.05(c) and such other insurance as may be reasonably required by Landlord covering any additional hazards due to such Tenant Work, and, if the cost of such Tenant Work exceeds [***] also such bonds or other assurances of satisfactory completion and payment as Landlord may reasonably require, in each case for the benefit of Landlord. If the Tenant Work in any instance requires Landlord's approval hereunder, Tenant shall reimburse Landlord for Landlord's reasonable third party, out of pocket costs of reviewing the Construction Documents and proposed Tenant Work and inspecting installation of the same, such reimbursement to be made within thirty (30) days after submission by Landlord of invoices for such costs and expenses. So long as the Construction Documents and Tenant Work comply with the requirements of this Lease, Tenant's obligation to reimburse Landlord pursuant to the immediately preceding sentence for review of Construction Documents shall not exceed [***], which amount shall be increased annually to reflect increases in the Consumer Price Index for all Urban Wage Earners and Clerical Workers, All Items, for Boston, Massachusetts published by the Bureau of Labor Statistics of the United States Department of Labor (base year 1982-84 = 100), with respect to any one project. At all times while performing Tenant Work, Tenant shall require any Tenant Contractor to comply with all applicable Legal Requirements and Landlord's Rules and Regulations relating to such work. Each Tenant Contractor working on the roof of the Building shall coordinate with Landlord's roofing contractor, shall comply with its requirements and shall not violate existing roof warranties. Each Tenant Contractor shall work on the Premises without causing delay to or impairing of any guaranties, warranties or the work of any other contractor.

(d) Payment. Tenant shall pay the entire cost of all Tenant Work, including without limitation any services provided to Tenant or those claiming by or through Tenant in connection with Tenant Work giving rise to a lien pursuant to the Massachusetts General

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Laws, so that the Premises, including Tenant's leasehold, shall always be free of liens for labor or materials or as otherwise provided under such statutes. If any such lien is filed, then Tenant shall promptly (and always within twenty (20) days) discharge the same.

(e) LEED Certification. The Base Building Work has been registered to qualify for Leadership in Energy and Environmental Design ("LEED") Core & Shell status as established by the U.S. Green Council based on the LEED Core & Shell standards in effect as of the date of such registration. Any Tenant Work shall comply with the standards necessary to maintain the applicable LEED Core & Shell certification of the Building.

(f) Other. Tenant must schedule and coordinate all aspects of Tenant Work with the Landlord's property manager or designated representative. If an operating engineer is required by any union regulations, Tenant shall pay for such engineer. If shutdown of risers and mains for electrical, mechanical and plumbing work is required, such work shall be supervised by Landlord's representative (the reasonable costs of which shall be

included in Operating Expenses, notwithstanding anything to the contrary set forth in Section 8.01). No work shall be performed to portions of Building systems that serve other tenants without Landlord's approval, which approval shall not be unreasonably withheld, conditioned or delayed, and all such work shall be performed under Landlord's supervision. Except in case of emergency, at least two (2) business days' prior notice must be given to the Building management office prior to the shutdown of fire, sprinkler and other alarm systems, and in case of emergency, prompt notice shall be given. In the event that such work unintentionally alerts the Fire or Police Department or any private alarm monitoring company through an alarm signal, Tenant shall be responsible for any fees or charges levied in connection with such alarm. Tenant shall pay to Landlord such charges as may from time to time be in effect with respect to any such shutdown. All demolition, installations, removals or other work that is reasonably likely to inconvenience other tenants of the Building or disturb Building operations must be scheduled with the Building manager at least twenty-four (24) hours in advance.

Each Tenant Contractor and Tenant shall assure that any Tenant Work is carried out without disruption from labor disputes arising from whatever cause, including disputes concerning union jurisdiction and the affiliation of workers employed by said Tenant Contractor or its subcontractors. Tenant shall be responsible for, and shall reimburse Landlord for, all actual costs and expenses, including reasonable attorneys' fees incurred by Landlord in connection with the breach by any Tenant Contractor of such obligations. If Tenant does not promptly resolve any labor dispute caused by or relating to any Tenant Contractor, Landlord may in its sole discretion request that Tenant remove such Tenant Contractor from the Property, and if such Tenant Contractor is not promptly removed, Landlord may prohibit such Tenant Contractor from entering the Property.

Upon completion of any Tenant Work, Tenant shall give to Landlord (i) a permanent certificate of occupancy and any other final governmental approvals required for such work, (ii) copies of "as built" plans, (iii) proof of payment for all labor and materials, and (iv) an assignment of all warranties for such Tenant Work to the extent such warranties extend beyond the then-scheduled expiration of the Term in compliance with, and subject to the terms of, such contracts or warranties.

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10.06. Condition upon Termination. At the expiration or earlier termination of the Term, Tenant (and all persons claiming through Tenant) shall without the necessity of notice deliver the Premises broom-clean, in compliance with the requirements of Section 10.07 and in good and tenantable condition, reasonable wear and tear and (subject to the provisions of Article 12) damage by casualty or taking excepted. As part of such delivery, Tenant shall also provide keys (or lock combinations, codes or electronic passes) to any locks in and to the Premises to Landlord; provide Landlord with copies of any owners' manuals or software required for the operation of equipment or systems remaining in the Premises; remove all signs installed by Tenant wherever located (other than those that are required under applicable laws, such as exit signs), all Tenant Work or Finish Work designated by Landlord for removal by Tenant at the time of approval of such Tenant Work or Finish Work or, with respect to work not requiring Landlord's approval, at the time Tenant gives notice to Landlord that Tenant is undertaking such work pursuant to this Article 10 (provided, however, that Landlord may only require the removal of Finish Work that results in changes to the structural components (including without limitation columns and floor slabs), exterior walls, and, other than Rooftop Equipment and related Finish Work that is integral to the function of Finish Work installations, equipment or systems that will remain in the Premises in compliance with this Lease, the roof of the Building); and remove all Tenant Property and other personal property whether or not bolted or otherwise attached (provided, however, than in no event shall the items described on Exhibit 10.06, attached, be considered Tenant Property or personal property, and such items shall remain in the Premises notwithstanding anything to the contrary in this Lease). [***]. Tenant shall repair all damage that results from such removal and restore the Premises substantially to the condition it was in prior to installation of the removed property (including the filling of all floor and wall holes, the removal of all disconnected wiring back to junction boxes and the replacement of all damaged ceiling tiles). Any property not so removed shall be deemed abandoned, shall at once become the property of Landlord, and may be disposed of in such manner as Landlord shall see fit; and Tenant shall pay the cost of removal and disposal to Landlord upon demand to the extent such cost exceeds the value received, if any, from any sale of such property. The covenants of this Section shall survive the expiration or earlier termination of the Term.

10.07. Decommissioning of the Premises. Prior to the expiration of this Lease (or within sixty (60) days after any earlier termination), Tenant shall clean and otherwise decommission all interior surfaces (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing in and/or serving the Premises, and all exhaust or other ductwork in and/or serving the Premises, in each case which has carried or released or been exposed to any Hazardous Substances (as defined in Section 9.04 hereof), and shall otherwise clean the Premises so as to permit the report hereinafter called for by this Section 10.07 to be issued. Prior to the expiration of this Lease (or within sixty (60) days after any earlier termination), Tenant, at Tenant's expense, shall obtain for Landlord a report addressed to Landlord (and, at Tenant's election, Tenant) by a reputable licensed environmental engineer that is designated by Tenant and acceptable to Landlord in Landlord's reasonable discretion, which report shall be based on the environmental engineer's inspection of the Premises and shall show:

(a) that the Hazardous Substances described in the first sentence of the immediately preceding paragraph, to the extent, if any, existing prior to such

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decommissioning, have been removed in accordance with applicable Environmental Laws; and

(b) that Hazardous Substances described in the first sentence of this Section 10.07, if any, have been removed in accordance with applicable Environmental Laws from the interior surfaces of the Premises (including floors, walls, ceilings, and counters), piping, supply lines, waste lines and plumbing, and all such exhaust or other ductwork in the Premises, may be reused by a subsequent tenant or disposed of in compliance with applicable Environmental Laws (as defined in Section 9.04 hereof) without incurring special costs or undertaking special procedures for demolition, disposal, investigation, assessment, cleaning or removal of such Hazardous Substances and without giving notice in connection with such Hazardous Substances; and

(c) that the Premises may be reoccupied for office or laboratory use, as applicable, demolished or renovated without incurring special costs or undertaking special procedures for disposal, investigation, assessment, cleaning or removal of Hazardous Substances and without incurring regulatory

requirements or giving notice in connection with Hazardous Substances.

Further, for purposes of clauses (b) and (c), “special costs” or “special procedures” shall mean costs or procedures, as the case may be, that would not be incurred but for the nature of the Hazardous Substances as Hazardous Substances instead of non-hazardous materials (and in no event shall “special costs” or “special procedures” mean costs or procedures incurred in the removal of any materials, property or equipment that (i) contain Hazardous Substances as a component material, or which component materials are inherently hazardous (i.e., copper piping/wiring), and (ii) are ordinarily and customarily used in connection with first class office use, such as the component parts of light bulbs, joint compounds, ordinary building materials and the like). The report shall include reasonable detail concerning the clean-up location, the tests run and the analytic results.

If Tenant fails to perform its obligations under this Section 10.07, without limiting any other right or remedy, Landlord may, on five (5) Business Days’ prior written notice to Tenant perform such obligations at Tenant’s expense, and Tenant shall promptly reimburse Landlord upon demand for all costs and expenses incurred by Landlord in connection with such work. In addition, any such reimbursement shall include a [***] administrative fee [***] to cover Landlord’s overhead in undertaking such work. Tenant’s obligations under this Section 10.07 shall survive the expiration or earlier termination of this Lease.

ARTICLE 11. ROOFTOP LICENSE; ANTENNAS

11.01. Rooftop License. Effective as of the Commencement Date and subject to Legal Requirements, including without limitation Federal Aviation Administration height restrictions, Landlord grants Tenant the appurtenant and irrevocable (except upon the expiration or earlier termination of this Lease) rights at no additional rental charge, but otherwise subject to the terms and conditions of this Lease, to install, operate, maintain, repair, replace, upgrade and remove, at no additional cost to Tenant and solely for accessory use to operations within the Premises,

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certain equipment customarily installed on rooftops at Class A office and laboratory buildings in the City of Boston including, without limitation, cable, wiring, rooftop antennae, satellite dishes, microwave dishes and other equipment associated with telecommunications on the roof of the Building (the “Rooftop Equipment”) in locations reasonably approved by Landlord (Tenant acknowledging that Landlord requires certain rooftop areas on the roof of the upper mechanical penthouse of the Building for use by other tenants in the Building and for use by Landlord) and as necessary to connect such equipment, in the common areas of the Building.

11.02. Installation and Maintenance of Rooftop Equipment. Tenant shall install the Rooftop Equipment at its sole cost and expense (except as otherwise provided with respect to the Finish Work), at such times and in such manner as Landlord may reasonably designate and in accordance with all of the applicable provisions of this Lease regarding Tenant Work. Tenant shall not install or operate the Rooftop Equipment until it receives prior written approval of the Construction Documents in accordance with Section 10.05(a). Landlord may withhold approval of the installation or operation of the Rooftop Equipment if the same reasonably would be expected to damage the structural integrity of the Building or interfere with Building operations or systems.

Tenant shall engage Landlord’s roofer (or another roofing contractor reasonably approved by Landlord and approved by Landlord’s roof manufacturer) before beginning any rooftop installations or repairs of the Rooftop Equipment, whether under this Article 11 or otherwise, and shall always comply with the roof warranty governing the protection of the roof and modifications to the roof. Tenant shall obtain a letter from Landlord’s roof manufacturer following completion of such work stating that the roof warranty remains in effect, if required pursuant to the terms of the roof warranty. Tenant, at its sole cost and expense, shall inspect areas on the rooftop where the Rooftop Equipment is located at least twice annually and correct any loose bolts, fittings or other appurtenances and shall repair any damage to the roof caused by the installation or operation of the Rooftop Equipment. Tenant covenants that the installation, existence, maintenance and operation of the Rooftop Equipment shall not violate any Legal Requirements or constitute a nuisance under law. Tenant shall pay Landlord on demand (i) all applicable taxes or governmental charges, fees, or impositions imposed on Landlord because of Tenant’s use of the Rooftop Equipment under this Article 11 and (ii) the amount of any increase in Landlord’s insurance premiums as a result of the installation or existence of the Rooftop Equipment. Landlord shall provide in every other lease of space in the Building that permits rooftop access, and in every license or other agreement regarding use of the roof of the Building, (any of the foregoing, a “Rooftop Agreement”) that if such other tenant’s rooftop equipment interferes with Tenant’s Rooftop Equipment, such other tenant will remove or relocate its equipment as necessary to avoid such interference. Landlord assumes no responsibility for interference in the operation of the Rooftop Equipment caused by other tenants’ equipment, or for interference in the operation of other tenants’ equipment caused by the Rooftop Equipment, but Landlord shall reasonably cooperate with Tenant (at no cost to Landlord) to resolve any such interference and shall use commercially reasonable efforts to (at no cost to Landlord) enforce Landlord’s rights under any Rooftop Agreements to prevent such interference.

11.03. Interference by Rooftop Equipment. If Tenant’s Rooftop Equipment (i) causes physical damage to the structural integrity of the Building, or (ii) materially, adversely interferes

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with any of the Building’s mechanical or other systems, Tenant shall within five (5) business days of notice (which may be by e-mail if given to vertex_operations@vrtx.com or an alternative e-mail address provided to Landlord in writing from time to time) of a claim of interference or damage reasonably cooperate with Landlord to determine the source of the damage or interference and effect a prompt solution at Tenant’s expense (if Rooftop Equipment caused such interference or damage). In the event Tenant disputes Landlord’s allegation that Rooftop Equipment is causing a problem with the Building (including, but not limited to, the electrical, HVAC, and mechanical systems of the Building), in writing delivered within five (5) days of receiving Landlord’s notice claiming such interference, then Landlord and Tenant shall meet to discuss a solution, and if within seven (7) days of their initial meeting Landlord and Tenant are unable to resolve the dispute, then the matter shall be submitted to arbitration in accordance with the provisions set forth below.

The parties shall direct the Boston office of the AAA to appoint an arbitrator who shall have a minimum of ten (10) years' experience in commercial real estate disputes and who shall not be affiliated with either Landlord or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years. Both Landlord and Tenant shall have the opportunity to present evidence and outside consultants to the arbitrator.

The arbitration shall be conducted in accordance with the expedited commercial arbitration rules of the AAA insofar as such rules are not inconsistent with the provisions of this Lease (in which case the provisions of this Lease shall govern). The cost of the arbitration (exclusive of each party's witness and attorneys' fees, which shall be paid by such party) shall be borne equally by the parties. Any such arbitration shall be commenced within ten (10) days after demand (or, if later, appointment of the arbitrator).

Within ten (10) days of appointment, the arbitrator shall determine whether or not the Rooftop Equipment is causing a problem with the Building or Property and/or any other tenants' equipment in the Building or Property as set forth above, and the appropriate resolution, if any. The arbitrator's decision shall be final and binding on the parties. If Tenant shall fail to cooperate with Landlord in resolving any such interference or if Tenant shall fail to implement the arbitrator's decision within twenty (20) days after it is issued, Landlord may at any time thereafter and at Tenant's sole costs and expense relocate the item(s) of the Rooftop Equipment in dispute in a manner consistent with the arbitral decision in addition to pursuing any other remedies under this Lease.

11.04. Relocation of Rooftop Equipment. Based solely on Landlord's good faith determination that such a relocation is necessary for the use of the upper penthouse roof for retail and restaurant tenants of the Building, Landlord reserves the right to cause Tenant to relocate any (x) Rooftop Equipment or (y) any other pipes, ducts, conduits, wires and appurtenant fixtures, in each case to the extent necessary for use of, and access to, the lower penthouse roof to comparably functional space on the roof, penthouse, or Premises, as applicable (which space shall be subject to the prior written approval of Tenant, which approval shall not be unreasonably withheld, conditioned or delayed) by giving Tenant prior notice of such intention to relocate. If within thirty (30) days after receipt of such notice Tenant has not agreed with Landlord on the space to which such equipment is to be relocated, the timing of such relocation, and the terms of such relocation, then the parties may arbitrate the dispute in accordance with the process set forth

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in [Section 11.03](#) above. Landlord agrees to pay the reasonable cost of moving such equipment to such other space, taking such other steps necessary to ensure comparable functionality of equipment, and finishing such space to a condition comparable to the then condition of the current location of such equipment. Tenant shall arrange for the relocation of the affected equipment within sixty (60) days after a comparable space is agreed upon or selected by Landlord. Any actions by Landlord in connection with a relocation under this [Section 11.04](#) shall be performed in a manner designed to minimize interference with Tenant's business.

ARTICLE 12. DAMAGE OR DESTRUCTION; CONDEMNATION

12.01. Damage or Destruction of Premises. If the Premises or any part thereof shall be damaged by fire or other insured casualty, then, subject to the last paragraph of this Section, Landlord shall proceed with diligence, subject to then applicable Legal Requirements, and at the expense of Landlord (but only to the extent of insurance proceeds made available to Landlord by any mortgagee of the Building and any ground lessor) to repair or cause to be repaired such damage (other than any Tenant Work). In no event shall Landlord be responsible for contributing more than [***] of any deductible or co-payment towards the completion of such repairs unless (a) (i) Tenant and any mortgagee of the Property have agreed that Landlord may carry a larger deductible and (ii) Tenant pays its Pro Rata Share of the amount of any such deductible or co-payment in excess of [***] (it being the intent that Tenant shall share in the payment of such increased deductible in consideration for any savings of Operating Expenses that would result) or (b) Landlord is then maintaining a higher deductible in violation of the provisions of [Section 7.04](#). All such repairs made necessary by the negligence or willful misconduct of Tenant shall be made at the Tenant's expense to the extent that the cost of such repairs are less than the deductible amount in Landlord's insurance policy. The cost of any repairs performed under this Section by Landlord at Tenant's expense (including costs of design fees, financing, and charges for administration, overhead and construction management services by Landlord and Landlord's contractor) shall constitute Additional Rent hereunder. All repairs to and replacements of Tenant's personal property shall be made by and at the expense of Tenant, and Tenant shall promptly restore any Tenant Work, or, if the Lease has been terminated pursuant to the provisions of this [Section 12.01](#), demolish and remove any damaged Tenant Work prior to surrendering the Premises (but in any event only to the extent of insurance proceeds received by Tenant or, if Tenant fails to carry any required insurance hereunder, the insurance proceeds that would have been received by Tenant if Tenant had been maintaining the required coverages). If the Premises or any part thereof shall have been rendered unfit for use and occupation for the Permitted Use hereunder by reason of such damage, the Base Rent, Tenant's Pro Rata Share of Total Operating Costs, and (other than then-outstanding amounts of Rent and reimbursements or payments that are not in the nature of an occupancy charge, such as applicable reimbursements of Landlord's third-party costs under [Section 10.05](#), allocations of excess security services under [Section 9.07](#), reimbursements of Tenant Shortfall under [Section 18.01\(b\)](#), reimbursements under [Section 10.04\(b\)](#), or Additional Rent payable under this [Article 12](#)) all other Additional Rent, or a just and proportionate part thereof, according to the nature and extent to which the Premises shall have been so rendered unfit, shall be abated until the Premises (except as to Tenant Property, and any Tenant Work) shall have been restored as nearly as practicable to the condition in which they were immediately prior to such fire or other casualty,

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plus an additional thirty (30) day period. Landlord shall not be liable for delays in the making of any such repairs that are due to Force Majeure, nor shall Landlord be liable for any inconvenience or annoyance to Tenant or injury to the business of Tenant resulting from delays in repairing such damage, provided, however, that Base Rent, Tenant's Pro Rata Share of Total Operating Costs, and all other Additional Rent (other than then-outstanding amounts of Rent and reimbursements or payments that are not in the nature of an occupancy charge, such as applicable reimbursements of Landlord's third-party costs under [Section 10.05](#), allocations of excess security services under [Section 9.07](#), reimbursements of Tenant Shortfall under [Section 18.01\(b\)](#), reimbursements under [Section 10.04\(b\)](#), or Additional Rent payable under this [Article 12](#)) shall be abated to the extent set forth above during any delay not caused by Tenant.

If (i) the Premises are so damaged by fire or other casualty (whether or not insured) at any time during the last eighteen (18) months of the Term, as the Term may have been extended, that the cost to repair such damage is reasonably estimated to exceed one-half of the total Base Rent payable hereunder for the period from the estimated completion date of repair until the end of the Term, (ii) Legal Requirements prohibit Landlord from restoring the Building to the condition substantially existing prior to such casualty, or (iii) at any time damage to the Building occurs by fire or other insured casualty and any mortgagee or ground lessor shall refuse to permit insurance proceeds to be utilized for the repair or replacement of such property and Landlord determines not to repair such damage, then and in any of such events, this Lease and the term hereof may be terminated at the election of Landlord by a notice from Landlord to Tenant within sixty (60) days, or such longer period as is required to complete arrangements with any mortgagee or ground lessor regarding such situation, following such fire or other casualty; the effective termination date pursuant to such notice shall be not less than thirty (30) days after the day on which such termination notice is received by Tenant. If any mortgagee or ground lessor refuses to permit insurance proceeds to be applied to replacement of the Premises, and neither Landlord, such mortgagee or ground lessor has commenced such replacement within three (3) months following adjustment of such casualty loss with the insurer, then Tenant may, until any such replacement commences, terminate this Lease by giving at least thirty (30) days prior written notice thereof to Landlord and such termination shall be effective on the date specified if such replacement has not then commenced. In the event of any termination, the Term shall expire as though such effective termination date were the date originally stipulated in Article 1 for the end of the Term and the Base Rent and Additional Rent (to the extent not abated as set forth above) shall be apportioned as of such date.

If less than eighteen (18) months remain in the Term at the time of such [***] or (ii) in Landlord's reasonable estimate the time to restore the Premises will take more than one-half of the then remaining Term, then Tenant may upon thirty (30) days' prior written notice terminate this Lease provided that such termination election shall be null and void if Landlord completes such restoration within thirty (30) days of such notice or if Tenant exercises its right to extend the term pursuant to Section 3.03(a) of this Lease.

12.02. Eminent Domain. In the event that all or any substantial part of the Premises or the Building or the common areas at the Property necessary for use and operation of the Premises or Building are taken (other than for temporary use, hereafter described) by public authority under power of eminent domain (or by conveyance in lieu thereof), then by notice given within three

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months following the recording of such taking (or conveyance) in the appropriate registry of deeds, this Lease may be terminated at either party's election thirty (30) days after such notice, and Rent shall be apportioned as of the date of termination. If this Lease is not terminated as aforesaid, subject to the rights of mortgagees Landlord shall within a reasonable time thereafter, diligently restore what may remain of the Premises (excluding any personal property of Tenant, Tenant Work or other items installed or paid for by Tenant that Tenant is permitted or may be required to remove upon expiration) to a tenable condition for occupancy by Tenant for the Permitted Uses. In the event some portion of rentable floor area of the Premises is taken (other than for temporary use) and this Lease is not terminated, Base Rent shall be proportionally abated for the remainder of the Term. In the event of any taking of the Premises or any part thereof for temporary use, (i) this Lease shall be and remain unaffected thereby and rent shall not abate, and (ii) Tenant shall be entitled to receive for itself such portion or portions of any award made for such use with respect to the period of the taking that is within the Term, provided that if such taking shall remain in force at the expiration or earlier termination of this Lease, then Tenant shall pay to Landlord a sum equal to the reasonable cost of performing Tenant's obligations hereunder with respect to surrender of the Premises and upon such payment shall be excused from such obligations.

If in the last two years of the Term of this Lease, any Taking renders 50% or more of the Premises untenable, and in either case restoration of the effects of such Taking cannot be repaired or restored in Landlord's reasonable estimate within the lesser of one (1) year or one-half of the then-remaining Term from the date of such Taking, Tenant may upon thirty (30) days' prior written notice terminate this Lease provided that such termination election shall be null and void if Landlord completes such restoration within thirty (30) days of such notice or if Tenant exercises its right to extend the Term pursuant to Section 3.03(a) of this Lease.

Any damages that are expressly awarded to Tenant on account of its relocation expenses, and specifically so designated, shall belong to Tenant. Except as provided in the preceding sentence of this paragraph, Landlord reserves to itself, and Tenant releases and assigns to Landlord, all rights to damages accruing on account of any taking or by reason of any act of any public authority for which damages are payable, provided, however, that Tenant shall receive, subordinate to the repayment of any mortgage lender holding a mortgage on the Property out of any amount actually received by Landlord and *pari passu* with amounts payable to Landlord, an amount equal to the unamortized expense of the Excess Costs actually paid by Tenant under the Work Letter, amortized on a straight line item over the initial Term of this Lease. Subject to its rights hereunder, Tenant agrees to execute such further instruments of assignment as may be reasonably requested by Landlord, and to turn over to Landlord any damages that may be recovered in any proceeding or otherwise.

ARTICLE 13. ASSIGNMENT AND SUBLETTING

13.01. Landlord's Consent Required. Except for a Permitted Transfer, as defined below, Tenant shall not transfer any part of the Premises or of its interest in this Lease to any other entity, whether by sale, assignment, mortgage, sublease, license, transfer, operation of law (including, without limitation by merger, consolidation, sale or other transfer of all or substantially all of the stock or assets of Tenant, or otherwise) or act of Tenant (each a

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"Transfer") without Landlord's prior written consent as provided in Section 13.02 below. Consent to one Transfer does not imply consent to any other Transfer or waive the consent requirement. Any attempted Transfer without consent shall be void at the election of Landlord. Any entity to which a Transfer is made is a "Transferee."

The following transactions (any of them, a "Permitted Transfer") shall not require the consent of Landlord provided that Landlord shall receive prior notice thereof plus reasonable evidence upon closing that the transaction is in fact one of the following (and provided further that the proposed Transfer

complies with all other provisions of this Lease, including, without limitation, this Article 13 (other than the first paragraph of this Section 13.01), does not alter Landlord's rights under this Lease, and does not impose any additional obligation on Landlord):

(a) Any Transfer to an entity acquiring all or substantially all of the stock or assets of Tenant, whether by way of merger, consolidation, acquisition or otherwise (any such entity, a "Successor Entity"), so long as the resulting tenant under the Lease has a creditworthiness at least equal to or greater than Tenant's as of the date of this Lease or at the time of proposed Transfer, whichever is greater; or

(b) Any Transfer to an entity directly or indirectly controlled, controlling, or under common control with Tenant (any such entity, a "Related Entity") so long as in the case of an assignment either the original Tenant or the assignee has a creditworthiness at least equal to or greater than Tenant's as of the date of this Lease or at the time of proposed Transfer, whichever is greater. For purposes of this clause (b), "control" shall mean possession of more than 50 percent ownership of the shares of beneficial interest of the entity in question together with the power to control and manage the affairs thereof either directly or by election of directors and/or officers.

For purposes of this Section 13.01, "substantially all" of Tenant's assets shall include without limitation the transfer of assets having a value of more than 75% of the total value, as opposed to number, of Tenant's assets other than (i) by license of the right to use pharmaceutical products developed by Tenant in the ordinary course of Tenant's business, or (ii) in an arm's length transaction in which Tenant obtains market value for such assets and the consideration paid to Tenant is retained by Tenant and available to pay amounts due under the Lease as they become due, and/or otherwise used by Tenant in the ordinary course of business (i.e., such consideration is not distributed to stockholders or otherwise transferred to another party).

Notwithstanding anything to the contrary herein, so long as Tenant's shares are traded on a nationally recognized stock exchange, any sale of Tenant's shares shall not be deemed a Transfer subject to the provisions of this Article 13. Tenant acknowledges that the covenants contained in this Section 13.01 are material to the transaction contained herein and that Landlord shall have, in addition to any other rights and remedies available under this Lease or at law, the right to seek injunctive relief and/or specific performance in order to enforce such covenants.

13.02. Landlord's Consent. Tenant's request for Landlord's consent to any Transfer shall be made at least thirty (30) days prior to the effective date of the proposed Transfer, describe the details of the proposed Transfer, including the name, business and financial condition of the prospective Transferee, and the financial terms of the proposed Transfer (e.g., payments in

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consideration of the proposed Transfer, term, rent and security deposit); Tenant shall also provide any other information Landlord reasonably deems relevant, including without limitation the proposed form of Transfer documentation. Landlord shall not unreasonably withhold, condition or delay (more than ten (10) business days following receipt of Tenant's request for consent with all information required herein) its consent to any assignment or subletting of the Premises, provided that Tenant is not then in default under this Lease (following the giving of notice of such default, where applicable) but it shall not be deemed unreasonable for Landlord to deny consent for the following reasons, among others: [***].

[***].

At Landlord's election, Tenant shall pay to Landlord as Additional Rent fifty percent (50%) of the Profits on any Transfer other than a Permitted Transfer as and when received by Tenant, unless Landlord notifies Tenant and the Transferee that the Transferee shall pay Landlord's share of the Profits directly to Landlord. "Profits" means (A) all rent, fees and other consideration paid for or in respect of the Transfer, including fees in excess of reasonable amounts under any collateral agreements (the intent being to prohibit Tenant from shifting occupancy costs to collateral agreements), less (B) the Rent and other sums payable under this Lease (or if the Transfer is a sublease of part of the Premises, allocable to the subleased premises) and all reasonable costs and expenses directly incurred by Tenant for reasonable real estate broker's commissions and reasonable costs of renovation or construction of tenant improvements required by the Transfer, and reasonable legal fees (collectively, "Transfer Expenses"). Without limiting the generality of the first sentence of this section, any lump-sum payment or series of payments (including for the purchase or use of Tenant Work and Finish Work) on account of any Transfer shall be deemed to be Profits to the extent to which such lump sum payments exceed the sum of (x) the present value of the Rent and other charges to be paid hereunder discounted at the rate of four percent (4%) and (y) Tenant's Transfer Expenses (pro rated based (a) on floor area in the case of a subletting, license or other occupancy of less than the entire area of the Premises and (b) over the remaining Term). Tenant may recover these reasonable costs and expenses before paying Profits to Landlord. Tenant shall give Landlord a written statement certifying all amounts to be paid from any Transfer (including any collateral agreements) within thirty (30) days after the transfer agreement is signed and from time to time thereafter on Landlord's request, and Landlord may inspect Tenant's books and records to verify the accuracy of such statements. On written request, Tenant shall promptly furnish to Landlord copies of all Transfer documents, certified by Tenant to be complete, true and correct.

13.03. No Release. Notwithstanding any Transfer and whether or not the same is consented to, the liability of Tenant to Landlord shall remain direct and primary. Any Transferee (other than a subtenant of less than all or substantially all of Tenant's interest in the Premises) shall be jointly and severally liable with Tenant to Landlord for the performance of all of Tenant's covenants under this Lease; and such Transferee shall upon request execute and deliver such instruments as Landlord reasonably requests in confirmation thereof (and agrees that its failure to do so shall be a default). Tenant hereby irrevocably authorizes Landlord, upon the occurrence of a default (following the giving of notice of such default, where applicable) to collect Rent from any Transferee (and upon notice any Transferee shall pay directly to Landlord) and apply the net amount collected to the Rent and other charges reserved under this Lease. No Transfer (whether

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or not consented to by Landlord, and whether or not such consent is required) shall be deemed a waiver of the provisions of this Section, or the acceptance of the Transferee as a tenant, or a release of Tenant from direct and primary liability for the performance of all of the covenants of this Lease. The consent by

Landlord to any Transfer shall not relieve Tenant or any Transferee from the obligation of obtaining the express consent of Landlord to any modification of such Transfer or a further Transfer by Tenant or such Transferee. Notwithstanding anything to the contrary in the documents effecting the Transfer, Landlord's consent shall not alter in any manner whatsoever the terms of this Lease, to which any Transfer at all times shall be subject and subordinate.

13.04. [*].** In the event that Tenant disputes [***], either party may submit such dispute to mediation and the parties shall seek to identify [***] a mutually acceptable mediator, who shall mediate the dispute in accordance with the AAA Commercial Mediation Rules, except that the mediator selected pursuant to this paragraph shall act as the administrator of the mediation and shall have all of the powers and duties conferred on the AAA pursuant to said Rules. Any conflicts between said Rules and this paragraph shall be resolved in favor of this paragraph. If the parties are unable or fail timely to agree upon the mediator, upon request of either party, the dispute shall be submitted for mediation to Boston office of the AAA or its successor entity. If neither the AAA nor any successor entity exists at the time of the dispute, the dispute shall be submitted for mediation to the largest private provider of dispute resolution services then doing business in the greater Boston area.

Attendance at the mediation shall be limited to the parties and their counsel. All information exchanged or presented to the mediator in these proceedings, whether in oral, written, or other form, and the results of the proceedings, shall be confidential and except as required by law shall not be disclosed to any person or entity, without prior written permission from both parties. A party offering evidence or information in mediation shall not be precluded thereby from offering that evidence or information in any other proceeding. The mediation proceeding shall take place, and the mediator shall issue his or her report, within [***] following the submission of the dispute to mediation. Following any such mediation, if any such dispute remains unresolved, either party may initiate litigation to resolve such dispute and, notwithstanding anything to the contrary contained in this paragraph, the mediator's report shall be admissible in any such court proceeding as evidence.

[***].

13.05. [*]** Tenant shall deliver to Landlord (i) a true and complete copy of the fully executed instrument or instruments evidencing any Transfer, and (ii) a written agreement of the Transferee agreeing with Landlord to perform and observe all of the terms, covenants, and conditions of this Lease undertaken by such Transferee. [***].

ARTICLE 14. EVENTS OF DEFAULT AND REMEDIES

14.01. Covenants and Conditions. Tenant's performance of each of its obligations under this Lease is a condition as well as a covenant. Tenant's right to continue in possession of the

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Premises is conditioned upon such performance. Time is of the essence in performance of all covenants and conditions set forth herein.

14.02. Events of Default. If Tenant fails to pay amounts of Base Rent or regular monthly recurring payments of Additional Rent (such as Operating Costs or parking charges) when due and such default continues for five (5) days, or, with respect to any non-recurring payment of Additional Rent, fails to pay any such Additional Rent when due and such default continues for five (5) days following notice from Landlord, or if more than three default notices are properly given in any 12-month period, or if Tenant (or any Transferee of Tenant) makes any Transfer of the Premises in violation of this Lease, or if a petition is filed by Tenant (or any Transferee) for insolvency or for appointment of a receiver, trustee or assignee or for adjudication, reorganization or arrangement under any bankruptcy act, or if any similar petition is filed against Tenant (or any transferee) and such petition filed against Tenant or any transferee is not dismissed within sixty (60) days thereafter, or if any representation or warranty made by Tenant is untrue in any material respect, or if Tenant fails to perform any other covenant or condition hereunder and such default continues longer than any period (following notice, if expressly required) expressly provided for the correction thereof (and if no period is expressly provided then for thirty (30) days after notice is given, provided, however, that such period shall be reasonably extended in the case of any such non-monetary default that cannot be cured within such period (but in any event shall not exceed 180 days in the aggregate) only if the matter complained of can be cured, Tenant begins promptly and thereafter diligently completes the cure, and Tenant gives Landlord notice of such intent to cure within ten (10) days after notice of such default), then, and in any such case, Landlord and its agents lawfully may, in addition to any remedies for any preceding breach, immediately or at any time thereafter without further demand or notice in accordance with process of law, enter upon any part of the Premises in the name of the whole, or mail or deliver a notice of termination of the Term of this Lease addressed to Tenant at the Premises or any other address herein, and thereby terminate the Term and repossess the Premises as of Landlord's former estate. Any default beyond applicable notice and cure periods by Tenant is referred to herein as an "**Event of Default**". At Landlord's election such notice of termination may be included in any notice of default, subject to any applicable cure period. Upon such entry or mailing the Term shall terminate, all executory rights of Tenant and all obligations of Landlord will immediately cease, and Landlord may expel Tenant and all persons claiming under Tenant and remove their effects without any trespass and without prejudice to any remedies for arrears of Rent or prior breach; and Tenant waives all statutory and equitable rights to its leasehold (including rights in the nature of further cure or redemption, if any, to the extent such rights may be waived). If Landlord engages attorneys in connection with any failure to perform by Tenant hereunder, Tenant shall reimburse Landlord for the reasonable fees of such attorneys on demand as Additional Rent. Without implying that other provisions do not survive, the provisions of this Article shall survive the Term or earlier termination of this Lease.

14.03. Remedies for Default.

(a) Reletting Expenses Damages. If the Term of this Lease is terminated for default, Tenant covenants, as an additional cumulative obligation after such termination, to pay all of Landlord's reasonable costs, including reasonable attorneys fees, related to

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Tenant's default and in collecting amounts due and all reasonable expenses in connection with reletting, including tenant inducements to new tenants, brokerage commissions, fees for legal services, expenses of preparing the Premises for reletting and the like (together, "Reletting Expenses"). It is agreed that Landlord may (i) relet the Premises or part or parts thereof for a term or terms that may be equal to, less than or exceed the period that would otherwise have constituted the balance of the Term, and may grant such tenant inducements, including free rent, as Landlord in its sole discretion considers advisable, and (ii) make such alterations to the Premises as Landlord in its sole discretion considers advisable, and no failure to relet or to collect rent under any reletting shall operate to reduce Tenant's liability. Landlord shall use reasonable efforts to relet the Premises. Any such obligation to relet will be subject to Landlord's reasonable objectives of developing its property and the Project in a harmonious manner with appropriate mixes of tenants, uses, floor areas, terms and the like. Landlord's Reletting Expenses together with all other sums provided for whether incurred prior to or after such termination will be due upon demand.

(b) Termination Damages. If the Term of this Lease is terminated for default, unless and until Landlord elects lump sum liquidated damages described in the next paragraph, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay punctually to Landlord all the sums and perform all of its obligations in the same manner as if the Term had not been terminated. In calculating such amounts Tenant will be credited with the net proceeds of any rent then actually received by Landlord from a reletting of the Premises after deducting all Rent that has not then been paid by Tenant, provided that Tenant shall never be entitled to receive any portion of the re-letting proceeds, even if the same exceed the Rent originally due hereunder.

(c) Lump Sum Liquidated Damages. If this Lease is terminated for default, Tenant covenants, as an additional, cumulative obligation after any such termination, to pay forthwith to Landlord at Landlord's election made by written notice at any time after termination, as liquidated damages a single lump sum payment equal to either (x) the sum of (i) all sums to be paid by Tenant and not then paid at the time of such election, plus, (ii) the excess of the present value of all of the Rent reserved for the residue of the Term (with Additional Rent deemed to increase 5% in each year on a compounding basis) over the present value of the aggregate fair market rent and Additional Rent payable (if less than the Rent payable hereunder) on account of the Premises during such period, which fair market rent shall be reduced by reasonable projections of vacancies and by Landlord's Reletting Expenses described above to the extent not theretofore paid to Landlord) or (y) twelve (12) months (or such lesser number of months as may then be remaining in the Term) of Base Rent and Additional Rent at the rate last payable by Tenant under this Lease. (The Federal Reserve discount rate (or equivalent) shall be used in calculating such present values under clause (x)(ii), and in the event the parties are unable to agree on such fair market rent, the matter shall be submitted, upon the demand of either party, to the office of the AAA closest to the Property, with a request for arbitration in accordance with the rules of the Association by a single arbitrator who shall be a licensed real estate broker with at least ten (10) years experience in the leasing of 1,000,000 or more square feet of floor area of buildings similar in character and location to the Premises, and who shall not be affiliated with either Landlord

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or Tenant and has not worked for either party or its affiliates at any time during the prior five (5) years, whose decision shall be conclusive and binding on the parties.)

(d) Remedies Cumulative; Jury Waiver; Late Performance. The remedies to which Landlord may resort under this Lease, and all other rights and remedies of Landlord are cumulative, and any two or more may be exercised at the same time except where this Lease specifically provides otherwise, such as the provisions of Sections 14.03(b) and (c) and the provisions of Sections 14.03(c)(x) and (y). Nothing in this Lease shall limit the right of Landlord to prove and obtain in proceedings for bankruptcy or insolvency an amount equal to the maximum allowed by any statute or rule of law in effect at the time, but not to exceed the limitations set forth in this Section 14.03; and Tenant agrees that the fair value for occupancy of all or any part of the Premises at all times shall never be less than the Base Rent and all Additional Rent payable from time to time. Tenant shall also indemnify and hold Landlord harmless in the manner provided in Section 9.02 if Landlord shall become or be made a party to any claim or action necessary to protect Landlord's interest under this Lease in a bankruptcy proceeding, or other proceeding under Title 11 of the United States Code, as amended. LANDLORD AND TENANT WAIVE TRIAL BY JURY IN ANY ACTION TO WHICH THEY ARE PARTIES, and further agree that any action arising out of this Lease (except an action for possession by Landlord, which may be brought in whatever manner or place provided by law) shall be brought in the Trial Court, Superior Court Department, in the county where the Premises are located.

(e) Waivers; Accord and Satisfaction. No consent by Landlord or Tenant to any act or omission that otherwise would be a default shall be construed to permit other similar acts or omissions. Neither party's failure to seek redress for violation or to insist upon the strict performance of any covenant, nor the receipt by Landlord of Rent with knowledge of any breach of covenant, shall be deemed a consent to or waiver of such breach. No breach of covenant shall be implied to have been waived unless such is in writing, signed by the party benefiting from such covenant and delivered to the other party; and no acceptance by Landlord of a lesser sum than the Rent due shall be deemed to be other than on account of the earliest installment of such Rent. No endorsement or statement on any check or in any letter accompanying any check or payment shall be deemed an accord and satisfaction; and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other right or remedy. The acceptance by Landlord of any Rent following the giving of any default and/or termination notice shall not be deemed a waiver of such notice. Tenant shall not interpose any counterclaim or counterclaims (other than compulsory counterclaims that would be lost if not interposed) in a summary proceeding or in any action based on non-payment of Rent.

(f) Landlord's Curing. If Tenant fails to perform any covenant within any applicable cure period, then Landlord at its option may (without waiving any right or remedy for Tenant's non-performance) at any time thereafter perform the covenant for the account of Tenant. Tenant shall upon demand reimburse Landlord's cost (including reasonable attorneys' fees) of so performing on demand as Additional Rent. Notwithstanding any other provision concerning cure periods, Landlord may cure any non-performance for the account of Tenant after such notice to Tenant, if any, as is reasonable under the circumstances if

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curing prior to the expiration of the applicable cure period is reasonably necessary to prevent likely damage to the Premises or Building or possible injury to persons, or to protect Landlord's interest in the Premises or Building.

**ARTICLE 15.
PROTECTION OF LENDERS**

15.01. Subordination and Superiority of Lease. Tenant agrees that this Lease and the rights of Tenant hereunder will be subject and subordinate to any lien of the holder of any future mortgage, and to the rights of any lessor under any ground or improvements lease of the Building (all mortgages and ground or improvements leases of any priority are collectively referred to in this Lease as "mortgage," and the holder or lessor thereof from time to time as a "mortgagee"), and to all advances and interest thereunder and all modifications, renewals, extensions and consolidations thereof; provided that any subordination of this Lease shall be conditioned upon Landlord delivering to Tenant a written, recordable subordination, non-disturbance and attornment agreement from the mortgagee seeking to have this Lease subordinated to its interest in the form attached as Exhibit 15.01 (or in such other form as such mortgagee may reasonably request). Tenant shall not be required to execute any subordination, non-disturbance and attornment agreement and this Lease shall not be subordinate to any junior mortgage where a mortgagee having priority over such junior mortgage has prohibited execution of a further subordination, nondisturbance and attornment agreement in any agreement with Tenant and has not consented to Tenant so executing a subordination, nondisturbance and attornment agreement with respect to such junior mortgage. Landlord represents and warrants that the only mortgage to which this Lease is subject as of the execution date is that certain mortgage (the "Existing Mortgage") to Anglo Irish Bank Corporation plc, dated September 29, 2005, and recorded at Book 38144, Page 301 of the Suffolk County Registry of Deeds. Landlord shall provide to Tenant, within 45 days after the date of this Lease, a written agreement from the lender (and upon which Tenant may rely) under the Existing Mortgage confirming that such lender will deliver a discharge or partial release of the Existing Mortgage upon the issuance of a building permit and closing of the construction loan for the Base Building Work.

Tenant agrees that this Lease shall survive the merger of estates of ground (or improvements) lessor and lessee, if any. Until a mortgagee (either superior or subordinate to this Lease) forecloses Landlord's equity of redemption (or terminates or succeeds to a new lease in the case of a ground or improvements lease) no mortgagee shall be liable for failure to perform any of Landlord's obligations (and such mortgagee shall thereafter be liable only after it succeeds to and holds Landlord's interest and then only as limited herein). Tenant shall, if requested by Landlord or any mortgagee, give notice of any alleged non-performance on the part of Landlord to any such mortgagee provided that an address for such mortgagee has been designated to Tenant in writing, and Tenant agrees that such mortgagee shall have a separate, consecutive reasonable cure period of no less than thirty (30) days (to be reasonably extended in the same manner Landlord's cure period is to be extended and for such additional periods as is necessary to allow such Mortgagee to take possession of the Property) following Landlord's cure period during which such mortgagee may, but need not, cure any non-performance by Landlord. The agreements in this Lease with respect to the rights and powers of a mortgagee constitute a continuing offer to any person that may be accepted by taking a mortgage (or entering into a

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ground or improvements lease) of the Premises. This Section shall be self-operative, but in confirmation thereof, Tenant shall execute and deliver the subordination, nondisturbance and attornment agreement in the form of Exhibit 15.01 (or in such other form as such mortgagee may reasonably request).

15.02. Attornment. If Landlord's interest in the Property is acquired by mortgagee or purchaser at a foreclosure sale, Tenant shall, at the election of such mortgagee or purchaser, attorn to the transferee of or successor to Landlord's interest in the Property and recognize it as Landlord under this Lease. Tenant waives the protection of any statute or rule of law which gives Tenant any right to terminate this Lease or surrender possession of the Premises upon the transfer of Landlord's interest. Upon such attornment, this Lease shall continue in full force and effect as a direct lease between the mortgagee and Tenant upon all of the terms, conditions and covenants as are set forth in this Lease, except that the mortgagee shall not be (i) liable in any way to Tenant for any act or omission, neglect or default on the part of Landlord under this Lease (nothing in this clause (i) being deemed to relieve any mortgagee succeeding to the interest of Landlord hereunder of its continuing obligations as landlord under this Lease from and after the date of such succession), (ii) responsible for any monies owing by or on deposit with Landlord to the credit of Tenant (except to the extent any such deposit is actually received by such mortgagee), (iii) subject to any counterclaim or setoff which theretofore accrued to Tenant against Landlord, (iv) bound by any amendment or modification of this Lease subsequent to such mortgage, or by any previous prepayment of Rent for more than one (1) month, which was not approved in writing by the mortgagee, or bound by the indemnity set forth in Section 9.04, (v) liable beyond mortgagee's interest in the Property, (vi) responsible for the performance of any work to be done by the Landlord under this Lease to render the Premises ready for occupancy by the Tenant or the payment of the Finish Work Allowance, or (vii) required to remove any person occupying the Premises or any part thereof, except if such person claims under the mortgagee. Tenant agrees that any present or future mortgagee may at its option unilaterally elect to subordinate, in whole or in part and by instrument in form and substance satisfactory to such mortgagee alone, the lien of its mortgagee (or the priority of its ground lease) to some or all provisions of this Lease. Nothing in the preceding sentences of this Section 15.02 shall prohibit Tenant from exercising its right to terminate this Lease pursuant to Section 3.01(c) and clause (x) of Section 3.01(e) of this Lease on the conditions set forth therein. Notwithstanding the foregoing, in the event that mortgagee or, other than an entity controlling, controlled by or under common control with Landlord, a purchaser at a foreclosure sale (a "Successor") succeeds to the interest of Landlord prior to the completion of Building (including Base Building and Finish Work), such Successor shall have thirty (30) days to send written notice to Tenant stating whether or not it intends to be bound to perform work remaining to be done by the Landlord under this Lease to render the Premises ready for occupancy by the Tenant and agrees to advance the Finish Work Allowance. For the purposes of the immediately preceding sentence, control shall have the meaning set forth in Section 13.01(b). In the event in such notice it states that it intends to be so bound, then such provisions of this Lease shall be binding on the Successor. In the event the Successor states that it does not intend to be so bound or fails to timely provide notice to Tenant within such thirty (30) day period, then (A) prior to the date that Tenant has made Tenant's first payment towards the Excess Costs under the FW Contract under the Work Letter, Tenant shall have the right, by written notice to the Successor (a "Succession Election Notice") within sixty (60) days following notice of such acquisition, to

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either (I) terminate this Lease, or (II) continue this Lease, deposit such Excess Costs in escrow with the Successor to be held and disbursed against the costs to construct the Finish Work as they are incurred on behalf of Tenant in the manner provided under the Work Letter, and complete the Finish Work itself at its expense and otherwise in accordance with the terms of this Lease and (to the extent the Finish Work Allowance is not disbursed by the Successor) reduce the Rent by the amount of the unadvanced Finish Work Allowance amortized over the Term with interest at the rate of 8% per annum; or (B) from and after the date that Tenant has made Tenant's first payment towards the Excess Costs under the FW Contract under the Work Letter, Tenant shall have the right, by giving a Succession Election Notice to the Successor within sixty (60) days following notice of such acquisition, to either (X) terminate this Lease, or (Y) continue this Lease and complete the Finish Work itself at its expense and otherwise in accordance with the terms of this Lease and (to the extent the Finish Work Allowance is not disbursed by the Successor) reduce the Rent by the amount of the unadvanced Finish Work Allowance amortized over the Term with interest at the rate of 8% per annum; provided, however, that the Successor can render any Succession Election Notice pursuant to clause (A) or (B), above, null and void and of no force and effect if, within thirty (30) days after the giving of such notice by Tenant, the Successor agrees to be bound by the applicable provisions of this Lease. Tenant's failure to give a Succession Election Notice in the time period(s) required above shall be deemed to be an election pursuant to the clause (II) or (Y) of the immediately preceding sentence, as applicable.

15.03. Rent Assignment. If from time to time Landlord assigns this Lease or the rents payable hereunder to any person, whether such assignment is conditional in nature or otherwise, such assignment shall not be deemed an assumption by the assignee of any obligations of Landlord; but, subject to the limitations herein including Sections 15.01 and 10.02(b), the assignee shall be responsible only for non-performance of Landlord's obligations that occur after it succeeds to, and only during the period it holds possession of, Landlord's interest in the Premises after foreclosure or voluntary deed in lieu of foreclosure.

15.04. Other Instruments. The provisions of this Article shall be self-operative; nevertheless, Tenant agrees to execute, acknowledge and deliver any subordination, attornment or priority agreements or other instruments conforming to the provisions of this Lease (and being otherwise commercially reasonable) from time to time requested by Landlord or any mortgagee, consistent with the terms of this Lease with respect to the rights of Tenant, and further agrees that its failure to do so within ten (10) days after written request shall be a default for which this Lease may be terminated without further notice. Without limitation, where Tenant in this Lease indemnifies or otherwise covenants for the benefit of mortgagees, such agreements are for the benefit of mortgagees as third party beneficiaries; and at the request of Landlord, Tenant from time to time will confirm such matters directly with such mortgagee.

15.05. Estoppel Certificates. Within ten (10) days after request by a party to this Lease, the other party shall execute, acknowledge and deliver a written statement certifying: (i) that none of the terms or provisions of this Lease have been changed (or if they have been changed, stating how); (ii) that this Lease has not been canceled or terminated; (iii) the last date of payment of Base Rent and other charges and the time period covered; (iv) that to the knowledge of the party executing the certificate, the party requesting such certificate is not in default under this Lease (or, if in default, describing it in reasonable detail); and (v) such other information with respect

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this Lease as may be reasonably requested or which any prospective purchaser or encumbrancer of the Property may require (which with respect to a statement requested of the Tenant may include whether the Tenant then meets the Financial Standard). [***]. The party receiving any such statement may deliver the statement to any such prospective purchaser or encumbrancer, or with respect to a statement requested by Tenant, Tenant's auditor, which may rely conclusively upon such statement as true and correct. The party requesting such estoppel certificate shall promptly reimburse the other party upon written demand for the reasonable out-of-pocket attorneys' fees and expenses incurred to review, modify, and prepare such certificate, but in any event not to exceed \$1,500 in any one instance.

ARTICLE 16. MISCELLANEOUS PROVISIONS

16.01. Landlord's Consent Fees. In addition to fees and expenses in connection with Tenant Work, as described in Section 10.05, Tenant shall pay Landlord's reasonable fees and expenses, including legal, engineering and other consultants' fees and expenses, incurred in connection with Tenant's request for Landlord's consent under Article 13 (Assignment and Subletting) or in connection with any other act by Tenant which requires Landlord's consent or approval under this Lease.

16.02. Notice of Landlord's Default. Tenant shall give notice of Landlord's failure to perform any of its obligations under this Lease to Landlord, and to any mortgagee or beneficiary under any deed of trust encumbering the Property whose name and address have been given to Tenant. Landlord shall not be in default under this Lease unless Landlord (or such mortgagee or beneficiary) fails to cure such non-performance within thirty (30) days after receipt of Tenant's notice. However, if such non-performance requires more than thirty (30) days to cure, such period shall be reasonably extended in the case of any such non-performance that cannot be cured by the payment of money where such non-performance can be cured (but in any event shall not exceed 180 days in the aggregate), and Landlord begins promptly within said thirty (30) day period and thereafter diligently completes the cure. In no event shall Landlord be liable for indirect or consequential damages arising out of any default by Landlord under this Lease.

16.03. Quiet Enjoyment. Landlord agrees that, so long as Tenant is not in default under the terms of this Lease, Tenant shall lawfully and quietly hold, occupy and enjoy the Premises during the Term of this Lease without disturbance by Landlord or by any person claiming through or under Landlord, subject to the terms of this Lease.

16.04. Cooperation With Accounting. Upon the written request of Tenant, not more often than quarterly (other than as set forth in the Work Letter), Landlord will provide Tenant with financial information with respect to Operating Expenses and Taxes incurred to date for the then-current year (including capital expenditures for the Building even if not includable within Operating Expenses hereunder) to the extent available to Landlord, as is reasonably required by Tenant's accountants and auditors for Tenant to comply with lease accounting requirements applicable to Tenant (provided that nothing herein shall be deemed to expand, modify or limit Tenant's rights under Article 4 of this Lease, and any such information and Tenant's rights to the same shall be subject to the provisions of Section 4.06 as if it were an audit of Landlord's books

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and records). Tenant shall reimburse Landlord for the reasonable out-of-pocket costs to provide such information as Additional Rent within 30 days after invoice.

16.05. Notices. All notices, requests and other communications required under this Lease shall be in writing, addressed as specified in Article 1, and shall be (i) personally delivered, (ii) sent by certified mail, return receipt requested, postage prepaid, or (iii) delivered by a national overnight delivery service that maintains delivery records. All notices shall be effective upon delivery (or refusal to accept delivery). Either party may change its notice address upon written notice to the other party. Notices under this Lease may be given by counsel for either party.

16.06. No Recordation. Tenant shall not record this Lease. Either Landlord or Tenant may require that a statutory notice, short form or memorandum of this Lease executed by both parties be recorded. Tenant may record any subordination agreement (notifying Landlord of the date and book and page number) or request Landlord to record it on Tenant's behalf. The party requesting or requiring such recording shall pay all expenses, transfer taxes and recording fees.

16.07. Corporate Authority. Tenant warrants and represents that (a) Tenant is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) Tenant has the authority to own its property and to carry on its business as contemplated under this Lease; (c) Tenant has duly executed and delivered this Lease; (d) the execution, delivery and performance by Tenant of this Lease (i) are within the powers of Tenant, (ii) have been duly authorized by all requisite action, (iii) will not violate any provision of law or any order of any court or agency of government, or any agreement or other instrument to which Tenant is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of Tenant's property, except by the provisions of this Lease; and (e) this Lease is a valid and binding obligation of Tenant in accordance with its terms. This warranty and representation shall survive the termination of the Term.

Landlord represents and warrants that (a) Landlord is duly organized, validly existing and in good standing under the laws of the jurisdiction in which such entity was organized; (b) Landlord has the authority to own its property and to carry on its business as contemplated under this Lease; (c) Landlord has duly executed and delivered this Lease; (d) the execution, delivery and performance by Landlord of this Lease (i) are within the powers of Landlord, (ii) have been duly authorized by all requisite action, (iii) will not violate any provisions of law or any order of any court or agency of government, or any agreement or other instrument to which Landlord is a party or by which it or any of its property is bound, and (iv) will not result in the imposition of any lien or charge on any of Landlord's property, except by the provisions of this Lease; and (e) this Lease is a valid and binding obligation of Landlord in accordance with its terms. This warranty and representation shall survive the termination of the Term.

16.08. Joint and Several Liability. If more than one party signs this Lease as Tenant, they shall be jointly and severally liable for all obligations of Tenant.

16.09. Force Majeure. Except where Force Majeure is expressly excluded elsewhere in this Lease, if a party cannot perform any of its obligations due to events beyond its reasonable control (other than the inability to make payments when due), the time provided for performing such obligations shall be extended by a period of time equal to the duration of the events. Events

beyond a party's reasonable control include without limitation acts of God, war, civil commotion, labor disputes, strikes, terrorist attacks, fire, flood or other casualty, the inability to obtain labor or material from customary sources on customary terms, government regulation or restriction (as distinguished from inability to obtain permits in the ordinary course), abnormal weather conditions (meaning circumstances in which adverse weather conditions significantly exceed those that have historically been encountered, or may reasonably be expected to be encountered, at the Property, and, with respect to the construction of Landlord Work, solely to the extent the applicable contractor is entitled to a delay in time for performance on account of such abnormal weather conditions), neglects or delays of the other party, or any similar event to the foregoing. Events described in this Section 16.09 are referred to herein as "Force Majeure".

16.10. Limitation of Warranties. Landlord and Tenant expressly agree that, other than those warranties expressly set forth in this Lease, there are and shall be no implied warranties of merchantability, habitability, suitability, fitness for a particular purpose or of any other kind arising out of this Lease.

16.11. No Other Brokers. Landlord and Tenant represent and warrant to each other that the Broker(s) named in Article 1 are the only agents, brokers, finders or other parties with whom such party has dealt who may be entitled to any commission or fee with respect to this Lease or the Premises or the Property. Landlord and Tenant agree to indemnify and hold the other harmless from any claim, demand, cost or liability, including attorneys' fees and expenses, asserted by any party other than the brokers named in Article 1 based upon dealings of that party with the indemnifying party. Landlord shall be responsible for the payment of any brokerage fees to the brokers named in Article 1. The provisions of this Section shall survive the Term or early termination of this Lease.

16.12. Applicable Law and Construction. This Lease may be executed in counterparts, shall be construed as a sealed instrument, and shall be governed exclusively by the provisions hereof and by the laws of the state where the Property is located without regard to principles of choice of law or conflicts of law. A facsimile signature to this Lease shall be sufficient to prove the execution by a party. If any provisions shall to any extent be invalid, the remainder shall not be affected. Other than contemporaneous instruments executed and delivered of even date, if any, this Lease contains all of the agreements between Landlord and Tenant relating in any way to the Premises and supersedes all prior agreements and dealings between them. There are no oral agreements between Landlord and Tenant relating to this Lease or the Premises. This Lease may be amended only by instrument in writing executed and delivered by both Landlord and Tenant. The provisions of this Lease shall bind Landlord and Tenant and their respective successors and assigns, and shall inure to the benefit of Landlord and its successors and assigns and of Tenant and its permitted successors and assigns, subject to Article 13. The titles are for convenience only and shall not be considered a part of this Lease. This Lease shall not be construed more strictly against one party than against the other merely by virtue of the fact that it may have been prepared primarily by counsel for one of the parties, it being recognized that both Landlord and Tenant have contributed substantially and materially to the preparation of this Lease. If Tenant is granted any extension or other option, to be effective the exercise (and notice thereof) shall be unconditional; and if Tenant purports to condition the exercise of any option or to vary its terms in any manner, then the purported exercise shall be ineffective. The enumeration of specific

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examples of a general provision shall not be construed as a limitation of the general provision. Unless a party's approval or consent is required by the express terms of this Lease not to be unreasonably withheld, such approval or consent may be withheld in the party's sole discretion. The submission of a form of this Lease or any summary of its terms shall not constitute an offer by Landlord to Tenant; but a leasehold shall only be created and the parties bound when this Lease is executed and delivered by both Landlord and Tenant and approved by the holder of any mortgage of the Premises having the right to approve this Lease. Nothing herein shall be construed as creating the relationship between Landlord and Tenant of principal and agent, or of partners or joint venturers or any relationship other than landlord and tenant. This Lease and all consents, notices, approvals and all other related documents may be reproduced by any party by any electronic means or by facsimile, photographic, microfilm, microfiche or other reproduction process and the originals may be destroyed; and each party agrees that any reproductions shall be as admissible in evidence in any judicial or administrative proceeding as the original itself (whether or not the original is in existence and whether or not reproduction was made in the regular course of business), and that any further reproduction of such reproduction shall likewise be admissible. If any payment in the nature of interest provided for in this Lease shall exceed the maximum interest permitted under controlling law, as established by final judgment of a court, then such interest shall instead be at the maximum permitted interest rate as established by such judgment.

16.13. Construction on the Property or Adjacent Property.

(a) Tenant acknowledges that Landlord and/or its affiliates is or are undertaking or may undertake major renovations and/or construction at the Project. Landlord shall have the right, in connection with the development, redevelopment, alteration, improvement, operation, maintenance, or repair of the Project, to subject the Property and its appurtenant rights to easements for the construction, reconstruction, alteration, improvement, operation, repair or maintenance of elements thereof, for access and egress, for parking, for the installation, maintenance, repair, replacement or relocation of utilities serving the Project and to subject the Property to such other rights, agreements, and covenants for such purposes as Landlord may determine. Tenant hereby agrees that this Lease shall be subject and subordinate to any such matters that do not materially interfere with Tenant's use of the Premises. Neither Tenant nor any persons acting under Tenant shall take any action to oppose the Project, nor, to the extent within Tenant's control, shall the Tenant knowingly permit any Tenant Parties to take any action in opposition to the Project.

Landlord and its affiliates and their respective agents, employees, licensees and contractors shall also have the right to enter on the Property or Building to undertake work pursuant to any easement granted pursuant to the above paragraph; to shore up the foundations and/or walls of the Building; to erect scaffolding and protective barricades around, within or adjacent to the Building; and to do any other act necessary for the safety of the Building or the expeditious completion of such work. Landlord shall not be liable to Tenant for any compensation or reduction of Rent by reason of inconvenience or annoyance or for loss of business resulting from any act by Landlord pursuant to this Section provided that Landlord complies with this Section 16.13. [***]. For the purposes of mitigating against potential adverse impacts on Tenant's operations as a result of activities permitted under this Section

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16.13, Landlord and Tenant agree to cooperate with each other as is reasonably required during the design of the Finish Work and any Tenant Work to identify reasonable measures to reduce vibration risk to any unusually vibration-sensitive Tenant equipment in the Premises.

16.14. Confidentiality of Information.

Landlord agrees to hold any proprietary information identified as confidential by Tenant in writing and supplied to Landlord pursuant to this Lease, excluding any information required to be filed with a governmental agency ("Confidential Information") in confidence. Notwithstanding the foregoing, Landlord may disclose such Confidential Information to its attorneys, accountants, property managers, real estate brokers, investors, lenders, attorneys, and consultants in connection with the financing or sale of the Property or Landlord's review of such information to the extent (a) such parties need to know the Confidential Information for the purpose of evaluating the proposed transaction, (b) Landlord informs such parties of the confidential nature of the Confidential Information and (c) such parties agree to hold the Confidential Information in confidence. Landlord will use reasonable efforts to cause such parties to observe the terms of this agreement, and Landlord will be responsible for any breach of this provisions by any such parties.

Landlord acknowledges and agrees that Tenant shall not have an adequate remedy at law in the event of a breach of this provision by Landlord, that Tenant will suffer irreparable damage and injury if Landlord breaches this Section 16.14, and that Tenant, in addition to any other rights and remedies available under this Lease or otherwise, shall be entitled to an injunction to be issued by a court of competent jurisdiction restricting Landlord from committing or continuing any violation of this Section 16.14.

The term "Confidential Information" does not include information that (i) is publicly known at the time of delivery, (ii) subsequently becomes publicly known through no breach of this Section 16.14 by Landlord or its representatives, (iii) Landlord can demonstrate was in its possession at the time of disclosure and was not acquired by it directly or indirectly from Tenant on a confidential basis, (iv) becomes available to Landlord on a non-confidential basis from a source other than the Tenant and which source, to the best of Landlord's knowledge, is not under an obligation of confidence to Tenant or (v) is disclosed in the course of litigation between Landlord and Tenant or Landlord and any other third party.

16.15. Equal Employment Opportunity. If and to the extent applicable to each of them, Landlord and Tenant shall comply with the requirements of 41 C.F.R. Sections 60-1.4(a)(7), 60-300.5(d), 60-741.5(d), and 29 C.F.R. part 471, Appendix A to Subpart A.

17.01. Letter of Credit. If, at any time following the Telaprevir Approval, Tenant has an unrestricted cash, cash equivalent and marketable securities balance of [***], as determined in accordance with generally accepted accounting principles, consistently applied (the “Financial Standard”) then Tenant shall provide to Landlord as security for the performance of the

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obligations of Tenant hereunder a letter of credit in the amount specified in Section 1.13 in accordance with this Section (as renewed, replaced, and/or reduced pursuant to this Section, the “Letter of Credit”). The Letter of Credit shall be in the form attached as Exhibit 17.01 to this Lease or such other form as Landlord may reasonably approve. If there is more than one Letter of Credit so delivered by Tenant, such Letters of Credit shall be collectively hereinafter referred to as the “Letter of Credit”. The Letter of Credit (i) shall be irrevocable and shall be issued by a commercial bank reasonably acceptable to Landlord that has an office in Boston, Massachusetts, (ii) shall require only the presentation to the issuer of a certificate of the holder of the Letter of Credit stating either (a) that Landlord is entitled to draw on the Letter of Credit in accordance with this Lease or (b) that Tenant has not delivered to Landlord a new Letter of Credit having a commencement date immediately following the expiration of the existing Letter of Credit in accordance with the requirements of this Lease, (iii) shall be payable to Landlord and its successors in interest as the Landlord and shall be freely transferable at nominal cost, (iv) shall be for an initial term of not less than one year and contain a provision that such term shall be automatically renewed for successive one-year periods unless the issuer shall, at least sixty (60) days prior to the scheduled expiration date, give Landlord written notice of such nonrenewal, and (v) shall otherwise be in form and substance reasonably acceptable to Landlord. Notwithstanding the foregoing, the term of the Letter of Credit for the final period of the Term shall be for a term ending not earlier than the date sixty (60) days after the last day of the Term.

If (x) Tenant shall be in default under this Lease, after the expiration of any applicable notice or cure period (or if transmittal of a default or other notice is stayed or barred by applicable bankruptcy or other law); (y) not less than thirty (30) days before the scheduled expiration of the Letter of Credit, Tenant has not delivered to Landlord a new Letter of Credit having a commencement date immediately following the expiration of the existing Letter of Credit in accordance with this Section; or (z) (i) the credit rating of the long-term debt of the issuer of the Letter of Credit (according to Moody’s, Standard & Poor’s or similar national rating agency reasonably identified by Landlord) is downgraded to a grade below investment grade; or (ii) the issuer of the Letter of Credit enters into any supervisory agreement with any governmental authority; or (iii) the issuer of the Letter of Credit fails to meet any capital requirements imposed by applicable law, then, in any of such events under this clause (z), unless Tenant delivers to Landlord a replacement Letter of Credit complying with the terms of this Lease within ten (10) days after demand therefor from Landlord, Landlord shall have the right to draw upon the Letter of Credit in full or in part without giving any further notice to Tenant. Such failure to timely deliver a new Letter of Credit pursuant to this Section 17.01 shall be deemed to be an Event of Default by Tenant (without the necessity of further notice or cure period notwithstanding anything in this Lease to the contrary). Landlord may, but shall not be obligated to, apply the amount so drawn to the extent necessary to cure Tenant’s default and/or any other damages to which Landlord is entitled under this Lease. Any funds drawn by Landlord on the Letter of Credit and not applied against amounts due hereunder shall be held by Landlord as a cash security deposit, provided that Landlord shall have no fiduciary duty with regard to such amounts, shall have the right to commingle such amounts with other funds of Landlord, and shall pay no interest on such amounts. After any application of the Letter of Credit against amounts due hereunder by Landlord in accordance with this paragraph, Tenant shall reinstate the Letter of Credit to the amount then required to be maintained hereunder, within thirty (30) days of demand. Within sixty (60) days after the expiration or earlier termination of the Term the

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Letter of Credit and any cash security deposit then being held by Landlord, to the extent not applied, shall be returned to Tenant provided that no default of which Tenant then has notice (to the extent that such notice is required) is then continuing.

17.02. Letter of Credit Pledge. The Landlord may pledge its right and interest in and to the Letter of Credit to any mortgagee or ground lessor and, in order to perfect such pledge, have such Letter of Credit held in escrow by such mortgagee or ground lessee or grant such mortgagee or ground lessee a security interest therein. In connection with any such pledge or grant of security interest by the Landlord to a mortgagee or ground lessee (“Letter of Credit Pledge”), Tenant covenants and agrees to cooperate as reasonably requested by the Landlord, in order to permit the Landlord to implement the same on terms and conditions reasonably required by such mortgagee or ground lessee. In the event that the Letter of Credit is ever held by any party in escrow including but not limited to a Letter of Credit Pledgee, Landlord shall provide in the documentation of any such escrow or pledge or other assignment of the Letter of Credit to a Letter of Credit Pledgee, and the Letter of Credit Pledgee or other party given possession of the Letter of Credit shall agree, that the Letter of Credit Pledgee or such other party shall release the Letter of Credit in the event Landlord is required to release the Letter of Credit pursuant to Section 17.04 hereunder.

17.03. Transfer of Security Deposit. In the event of a sale or other transfer of the Building or transfer of this Lease, Landlord shall transfer the Letter of Credit to the transferee, and Landlord shall thereupon be released by Tenant from all liability for the return of such security. The provisions hereof shall apply to every transfer or assignment made of the security to such a transferee. Tenant shall be responsible for any of the costs associated with such transfer that are in excess of nominal costs. Tenant further covenants that it will not assign or encumber or attempt to assign or encumber the Letter of Credit or the proceeds thereof, and that neither Landlord nor its successors or assigns shall be bound by any assignment, encumbrance, attempted assignment or attempted encumbrance.

17.04. Release of the Security Deposit. At any time (but no more than once per calendar year) after Tenant provides the Letter of Credit hereunder, if Tenant meets the Financial Standard and provided that there is not an ongoing Event of Default hereunder at the time of such request, Landlord shall release the Letter of Credit, if any, then held by Landlord. If Landlord has so released the Letter of Credit (whether one or more times), and thereafter Tenant fails to meet the Financial Standard, as reasonably determined by Landlord, Tenant shall, within ten (10) days thereafter, be obligated to reinstate the Letter of Credit.

17.05. Reporting Obligations. Unless Tenant is a public company, and Tenant’s applicable quarterly and annual filings clearly set forth the information necessary to determine whether Tenant meets the Financial Standard in connection with the periodic determination of whether Tenant meets the Financial Standard, Tenant shall, upon request in each instance by Landlord, furnish to Landlord the following: (x) within sixty (60) days after each of its first three fiscal quarters during each fiscal year of the Term (and ninety (90) days after the fourth fiscal quarter during each fiscal year) an unaudited financial statement

of Tenant together with a letter from the chief financial officer of Tenant stating, to the best of his or her knowledge, whether or not Tenant meets the Financial Standard (together with a copy of the most recently filed United States Securities and Exchange Commission form 10Q, if Tenant is lawfully required to file such

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a report), and (y) within one hundred fifty (150) days after each of Tenant's fiscal years during the Term audited financial statements of the Tenant for the prior fiscal year (together with a copy of the most recently filed United States Securities and Exchange Commission form 10K, if Tenant is lawfully required to file such a report). If any of the financial documentation required under Section 17.05 is not provided when required, and if Tenant fails to furnish the same to Landlord within fifteen (15) days of Landlord's written request therefor, and if Tenant has not cured such failure within five (5) business days after receiving a second written request from Landlord (provided both of such notices contain a prominent reference to this Section in bold print stating that the failure to provide such financial statements shall result in a default under this Lease), then Tenant shall be in default under this Lease and the unrestricted cash, cash equivalent and marketable securities of the Tenant shall be deemed to be zero until financial statements are provided in accordance with this Section 17.05. Unless public by other means, Landlord will maintain confidential such statements, except as required by applicable law or Court order; however Landlord may provide information from such statements to Landlord's accountants, lenders, attorneys and partners, as long as Landlord advises the recipients of the existence of Landlord's confidentiality obligation.

**ARTICLE 18.
GOVERNMENT INCENTIVES**

18.01. Government Incentives.

(a) The parties acknowledge that Landlord or an affiliate of Landlord has submitted to The Commonwealth of Massachusetts an application for approval of the Project as an Economic Development District under St. 2006, c.293 §§5-12, as amended by St. 2008, c.129 (the "I³ Program") for state infrastructure development assistance that will finance, through tax exempt bonds issued by The Massachusetts Development Finance Agency, the cost of certain of the utilities, streets, sidewalks, water transportation facilities, parks and other public infrastructure to be constructed at the Project in the amount of \$50,000,000.00 pursuant to a Preliminary Economic Development Proposal dated April 8, 2011, as supplemented on April 22, 2011, to the Secretary of the Massachusetts Executive Office of Administration and Finance (the "Secretary"), the Mayor of the City of Boston, the Massachusetts Development Finance Agency (the "Agency") and the Commissioner of the Massachusetts Department of Revenue, a copy of which has been provided to Tenant (the "Preliminary Application"). Pursuant to the Preliminary Application and the I³ Program, such bonds would be paid by dedication of new state tax revenue from income taxes to be generated by eligible new jobs created by Tenant in the Building and the premises leased under the Building A Lease and, to the extent includable under the I³ Program, the Building F Lease and the Building E Lease. Tenant shall reasonably cooperate with Landlord and/or an affiliate of Landlord in providing employment and wage information in connection with such application and the I³ Program. Landlord shall use commercially reasonable, good faith efforts to obtain approval for the funding of such infrastructure development under the I³ Program, including without limitation, the submission of an Economic Development Proposal (the "Final Application") to the Secretary and the Agency for final approval if the Preliminary Application (as it may be supplemented or amended in accordance with the I³ Program) is approved by the Secretary and the City of Boston, but it shall

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not be a default of the Landlord hereunder if the Preliminary Application or the Final Application is not so approved or if by reason of any condition in the approved Final Application any portion of the bonds are not issued. Landlord's obligations under this Section 18(a) and Section 18(b) below shall terminate on the earlier to occur of the date that either the Preliminary Application or the Final Application for coverage under the I³ Program is first denied or rejected, whether by the City of Boston, the Secretary, the Agency or any other state agency with jurisdiction over the I³ Program, or the I³ Program is no longer in full force and effect.

(b) Tenant shall be entitled to an increase in the Finish Work Allowance equal to an amount (the "I³ Amount") equal to forty-nine percent (49%) of the amount of the net proceeds (i.e. net of all transaction and issuance costs associated therewith incurred by Landlord or its affiliates) of that portion of the state infrastructure development assistance actually received by the Landlord or its affiliates for the Project based upon the new state tax revenue from eligible new jobs created by Tenant to the extent approved by the Commonwealth of Massachusetts (the "Tenant Supported Bonds"), as such assistance is actually received from time to time by Landlord or its affiliates on account of I³ Program funds obtained pursuant to the application by Landlord as described in Section 18(a), above. If and to the extent that Landlord or any of its affiliates is required to reimburse the City of Boston the amount of any shortfall of the allocable debt service apportioned to the Property under the I³ Program (the "Tenant Shortfall") from time to time, in consideration of any Finish Work Allowance actually received by Tenant on account of the I³ Program, then Tenant shall pay to Landlord, as Additional Rent, one hundred percent (100%) of the amount of any Tenant Shortfall that Landlord is required to pay (whether contractually, through liens placed by the City of Boston on the Property, or otherwise) within thirty (30) days following written demand by Landlord so that Landlord can pay such amounts as and when due from Landlord or an affiliate of Landlord to the City of Boston. From and after the date the Final Application is approved, if Tenant is entitled to an increase in the Finish Work Allowance pursuant to the terms of this subsection (b), then Tenant shall provide to Landlord, within 10 days of Landlord's written request from time to time, such information regarding the number of Tenant's current and projected employees, payroll, and income taxes withheld thereon as may be required for compliance by Landlord or any affiliate of Landlord with respect to Chapter 293 §§ 5 through 12 of the 2006 Massachusetts Acts and Resolves, as amended by Chapter 129 of the 2008 Massachusetts Acts and Resolves; 801 C.M.R 51.00 et seq; and Technical Information Release 08-18 issued by the Massachusetts Department of Revenue. Tenant's obligations to pay any Tenant Shortfall to Landlord pursuant to this paragraph shall survive the termination or earlier expiration of this Lease.

(c) Prior to the Final Commencement Date, Landlord and Landlord affiliates shall reasonably cooperate with Tenant at no cost and expense to Landlord and Landlord affiliates in applying for available forms of state financial assistance for life science companies at the Building, including without limitation for a MassWorks Infrastructure Program grant (a "MIP grant"), if legally possible. Such cooperation shall include Landlord's (and as applicable,

Landlord affiliates') application for a MIP grant to be used for infrastructure costs at the Project, if legally possible. Landlord will increase the Finish Work Allowance by an amount equal to forty-nine percent (49%) of the amount of the net proceeds (i.e. net of all transaction costs incurred by Landlord or its affiliates) of any MIP grant or financial assistance actually received by Landlord expressly by reason of Tenant's tenancy in the Premises and as a result of an

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application filed prior to the Commencement Date, as such MIP grant funds or other assistance are actually received from time to time by Landlord. Landlord shall use commercially reasonable, good faith efforts to obtain a MIP grant for infrastructure costs at the Project prior to the Commencement Date, if legally possible, but it shall not be a default of the Landlord hereunder if the Project is not so approved.

(d) Landlord shall reasonably cooperate with Tenant at no cost and expense to Landlord in making application for other available forms of state financial assistance with respect to Tenant's relocation to the Building. The whole of any economic benefit from any such state financial assistance based solely on Tenant's occupancy of the Premises shall inure solely to Tenant. If legally required, Landlord or its affiliate shall join as applicant with Tenant for a Tax Increment Financing Agreement for the Project with the City of Boston, but all of the benefits from such agreement (and any obligations associated therewith) shall accrue solely to Tenant.

(e) To the extent any costs, expenses or benefits must be allocated among one or more buildings occupied by Tenant at Fan Pier under this Section 18.01 and equivalent provisions under other leases between Tenant and Landlord or its affiliates, such allocations shall be made based upon the square footage of the buildings, the qualified Tenant employees therein, or such other method as is reasonably determined by Landlord.

(f) Tenant intends to apply to the Massachusetts Economic Assistance Coordinating Council for designation of the Building as a Certified Project, as defined in 402 C.M.R. Section 2, and for approval of a Tax Increment Financing Agreement (a "TIFA") with the City of Boston with respect to the Premises. If Tenant actually so applies and the Certified Project Application, including a TIFA providing for an exemption percentage as would result in a projected total savings of approximately \$12,000,000 commencing July 1, 2014 in the aggregate with all other TIFAs Tenant obtains at the Project applicable during such period from the real estate taxes that would otherwise be payable with respect to the Premises and the premises under the Building A Lease, in the aggregate, is not approved by the City of Boston on or before June 1, 2011, then Tenant at Tenant's option by notice to the Landlord given no earlier than June 2, 2011 and no later than June 10, 2011 may, in conjunction with a simultaneous termination of all other Tenant leases at the Project, terminate this Lease by written notice to Landlord, effective as of the date of such notice (provided, however, that Landlord may render such termination notice null and void by, within thirty (30) days thereafter, irrevocably committing in writing to provide Tenant with an alternate economic benefit of equal or better value based on the standards set forth on Exhibit 18.01(f), attached). If legally required, Landlord and any affiliate of Landlord, including Fan Pier Development LLC, shall join as applicant with Tenant for a TIFA with the City of Boston.

(g) To the extent the Finish Work Allowance as increased by the I3 Amount and, if legally possible, the MIP Grant (collectively, the "Governmental Incentives") exceeds the Excess Costs, or any portion of the Governmental Incentives is received by Landlord after the Tenant has paid all of the Excess Costs such that Tenant would not otherwise receive the benefit of such Governmental Incentives, Landlord shall pay to Tenant such excess following the final reconciliation contemplated by Sections 11.02 and 11.06 of the Work Letter.

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Information redacted pursuant to a confidential treatment request. An unredacted version of this exhibit has been separately filed with the Commission.

IN WITNESS WHEREOF, the undersigned have caused this Lease to be executed as of the day and year first above written.

LANDLORD:

ELEVEN FAN PIER BOULEVARD LLC, a Delaware limited liability company

By: Fan Pier Development LLC, a Delaware limited liability company, its Manager

By: Cornerstone Real Estate Advisers LLC, a Delaware limited liability company, its Manager

By: /s/ David J. Reilly

Name: David J. Reilly

Title: President/Chief Executive Officer

TENANT:

VERTEX PHARMACEUTICALS INCORPORATED, a Massachusetts corporation

By: /s/ Ian F. Smith
Name: Ian F. Smith
Title: Chief Financial Officer

By: /s/ Matthew W. Emmens
Name: Matthew W. Emmens
Title: President & CEO

CERTIFICATION

I, Matthew W. Emmens, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Pharmaceuticals Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2011

/s/ MATTHEW W. EMMENS

Matthew W. Emmens
Chief Executive Officer
(principal executive officer)

QuickLinks

[Exhibit 31.1](#)

CERTIFICATION

I, Ian F. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Pharmaceuticals Incorporated;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2011

/s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer
(principal financial officer)

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[Exhibit 31.2](#)

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2011 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 9, 2011

/s/ MATTHEW W. EMMENS

Matthew W. Emmens
Chief Executive Officer
(principal executive officer)

Dated: August 9, 2011

/s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer
(principal financial officer)

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[Exhibit 32.1](#)