SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1998

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	04-3039129
(State of incorporation)	(I.R.S. Employer Identification No.)
130 WAVERLY STREET CAMBRIDGE, MASSACHUSETTS	02139-4242
(Address of principal executive offices)	(Zip Code)

(617) 577-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, $0.01 par value
(Title of class)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 of 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 X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. _____

As of March 22, 1999 there were outstanding 25,400,241 shares of Common Stock, $.01 par value per share. The aggregate market value of shares of Common Stock held by non-affiliates of the registrant, based upon the last sales price for such stock on that date as reported by The Nasdaq National Stock Market, was approximately $637,750,000.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 1999 Annual Meeting of Stockholders to be held on May 19, 1999 are incorporated by reference into Part III.

The "Company" and "Vertex," as used in this Annual Report on Form 10-K, refer to Vertex Pharmaceuticals Incorporated, a Massachusetts corporation.

This Annual Report on Form 10-K contains forward-looking statements based on current management expectations. When used in this Report, the words "expects," "anticipates," "estimates," "plans," "believes," and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties. Factors that could cause actual results to differ from these expectations include, but are not limited to, those discussed in the section of Item 1 entitled "Risk Factors." These forward-looking statements speak only as of the date of this Report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in the events, conditions or circumstances on which any such statement is based.

Vertex is a registered trademark of Vertex Pharmaceuticals Incorporated, and Incel is a trademark of Vertex Pharmaceuticals Incorporated. Agenerase is a trademark of the Glaxo Wellcome Group of companies.

PART I

ITEM 1. BUSINESS

Vertex is engaged in the discovery, development and commercialization of novel, small molecule pharmaceuticals for the treatment of diseases for which there are currently limited or no effective treatments. The Company is a leader in the use of structure-based drug design, an approach to drug discovery that integrates advanced biology, biophysics, chemistry, and information technologies in a coordinated and simultaneous fashion. The Company believes that this integrated approach is applicable to therapeutic targets in a broad range of diseases. Vertex's goal is to create a portfolio of highly specific, proprietary, small molecule drugs based on its knowledge of the atomic structure of proteins involved in the control of disease processes.

Agenerase-TM- for the treatment of HIV infection and AIDS is the Company's first product to have a New Drug Application filed with the U.S. FDA for marketing approval. The Company's drug candidates currently in clinical trials include:

- - Two compounds, Incel-TM- in Phase II, and VX-853, in Phase I/II clinical studies for treatment of cancer multidrug resistance;
- - VX-497, an inhibitor of the enzyme IMPDH, currently in Phase II studies for the treatment of psoriasis and hepatitis C virus infection;
- - Timcodar dimesylate, a neurophilin ligand compound in a Phase II study for the treatment of diabetic neuropathy;
- - VX-740, an inhibitor of the enzyme ICE, that recently completed a Phase I clinical trial and may be useful in the treatment of inflammatory diseases; and
- - VX-745, an inhibitor of the enzyme p38 MAP kinase, currently in a Phase I clinical trial, that may be useful in the treatment of inflammatory and neurological diseases.

In addition, the Company has research programs aimed at developing orally available small molecule compounds targeting neurodegenerative disorders and hepatitis C virus infection.

STRUCTURE-BASED DRUG DESIGN

Drugs are natural or synthetic compounds that interact with a target molecule, typically a protein, either to induce or to inhibit that molecule's function within the human body. Traditionally, pharmaceutical products have been discovered through screening thousands of compounds in predictive assays for a chosen disease target. Vertex uses an information-driven drug design approach that integrates multiple advanced technologies.

Vertex's discovery programs have yielded clinical drug candidates in an average of 39 months from project initiation, two times faster than the industry average. Also, Vertex has at least one product candidate in clinical development from each of its first five research programs. In contrast, across the pharmaceutical industry an average of just 25% of all research projects result in a drug entering clinical trials.

The drug discovery process is complex and involves multiple steps and disciplines. The key steps in the discovery and development of a compound for human testing (a drug candidate) typically include:

- identification of a drug target;
- development of a relevant biological assay;
- selection of compounds for screening;
- identification of a lead molecule;
- optimization of the lead molecule; and
- preclinical development.

The Company's approach to structure-based design is an integrated approach combining efforts in biology, biophysics and chemistry in a coordinated and simultaneous fashion throughout the discovery process. This enables the Company to capture and apply information generated in one scientific discipline across an entire project. In addition, Vertex leverages the information base from its programs to capitalize on emerging therapeutic opportunities as they are discovered.

Vertex integrates a number of core technologies as part of the Company's drug discovery platform. These include:

- - FUNCTIONAL GENOMICS. Vertex uses a number of functional genomics techniques, such as gene knock-out mice, to help guide target selection and test the potential of its compounds in disease models.
- - BIOPHYSICS. Vertex's crystallography group has solved more than a dozen structures and more than 200 target/inhibitor complexes in the past eight years. Vertex scientists have also pioneered innovative nuclear magnetic resonance (NMR) techniques, including the use of NMR for screening and a proprietary technology called NMR-SHAPES that can rapidly identify classes of compounds with appropriate binding properties.
- - CHEMISTRY. Vertex applies combinatorial chemistry techniques together with a strategy of parallel synthesis to explore the suitability and activity of a wide range of compounds.
- - COMPUTER-BASED MODELING. Vertex applies advanced, proprietary computational modeling tools to guide combinatorial and medicinal chemistry efforts in identifying and optimizing leads.
- - PHARMACOLOGY. At Vertex, pharmacological testing and pharmacokinetic and pharmacodynamic modeling are used early in the drug discovery process to improve the likelihood that compounds will possess desirable characteristics.

The Company believes that its integrated structure-based approach to drug discovery and the applicability of this approach to a broad range of protein targets provides the Company with significant competitive advantages in the discovery and development of novel therapeutics for a variety of diseases.

CORPORATE STRATEGY

Vertex is concentrating on the discovery and development of drugs for the treatment of viral diseases, multidrug resistance in cancer, autoimmune diseases, inflammatory diseases and neurological diseases. The Company's research and development strategy is to identify therapeutic areas in which there is (i) an unmet clinical need, (ii) evidence that interaction with known protein targets will produce a therapeutic effect, and (iii) evidence that the protein targets will be appropriate for structural analysis using Vertex's scientific approach.

The Company's business strategy is to develop some products independently and to form collaborations with pharmaceutical companies in other programs for which they can provide resources and access to competencies complementary to Vertex's in-house capabilities. Corporate collaborations with other pharmaceutical companies allow Vertex to share the inherent risks of drug development and allocate the Company's internal resources more effectively. The financial support, as well as the resources in development, marketing and sales, provided by corporate collaborators has allowed Vertex to focus on expanding its clinical and discovery pipeline. As Vertex increases its capabilities in manufacturing, marketing and sales, collaborative agreements will still remain an important part of the Company's business strategy, allowing the Company to select from its broad pipeline those products best suited to commercialization by the Company, while retaining a substantial interest in the commercial success of partnered projects. In its collaborative agreements, Vertex seeks to participate, through manufacturing, co-promotion and marketing rights, in generating significant downstream revenue for each of its products.

PRODUCT DEVELOPMENT AND RESEARCH PROGRAMS

The following are the Company's most advanced research and development programs.

CLINICAL DEVELOPMENT PROGRAMS

AGENERASE-TM-

OVERVIEW

Agenerase-TM- (Glaxo Wellcome's brand name for the compound amprenavir) is the Company's most advanced product. Agenerase, a second generation HIV protease inhibitor, is an orally deliverable drug for the treatment of HIV infection and AIDS. It was developed by Vertex in collaboration with Glaxo Wellcome plc. and Kissei Pharmaceutical Co., Ltd. Glaxo Wellcome has filed a New Drug Application for Agenerase with the U.S. Food and Drug Administration in the United States and has made equivalent filings in Europe, Canada and other countries. The U.S. FDA has designated Agenerase as a fast-track product, and FDA review is expected to be completed by mid-April 1999. Upon approval by regulatory authorities, Glaxo Wellcome will market Agenerase in the United States and other countries, with co-promotion assistance by the Company. Kissei is the Company's partner for the development and commercialization of amprenavir in the Far East.

BACKGROUND

World sales of antiviral drugs for the treatment of AIDS and HIV infection were an

estimated $4 billion in 1998. Nevertheless, there remains a significant need for new therapeutic options for the management of HIV infection. In the United States and elsewhere, the majority of HIV-infected patients are undiagnosed or untreated with any antiviral drug. The antiviral drugs currently on the market have significant limitations, creating a significant market opportunity for Agenerase. Suboptimal treatment strategies and poor adherence to complex drug regimens result in the development of drug-resistant virus and need for subsequent changes in treatment regimens for many patients. Switching antiviral medications is therefore done on a routine basis, also resulting in the need for new agents.

HIV protease is a key enzyme involved in the viral replication of HIV. Agenerase is an HIV protease inhibitor designed by Vertex to effectively block the replication of HIV and to possess key competitive characteristics. Four other companies are marketing protease inhibitors approved by the FDA. However, clinician and patient acceptance of these products may be limited by complex dosing regimens, which can result in poor patient compliance, and by dose-limiting side effects.

The Company believes that Agenerase compares favorably with the protease inhibitors currently on the market in terms of potency, tolerability, dosing regimen and resistance profile. Agenerase is taken twice daily, without restrictions regarding dosing with or without food or water. In addition, clinical studies have shown that Agenerase penetrates the tissues of the central nervous system, which may be important in preventing the development of resistance. Agenerase has a unique IN VITRO resistance profile, and preliminary clinical data have shown that patients previously treated with Agenerase can be successfully treated with a subsequent protease inhibitor. To date, HIV has been shown to develop resistance to antiviral drugs, including currently marketed HIV protease inhibitors. Preliminary data also suggest that Agenerase is less associated with blood lipid abnormalities than other HIV protease inhibitors. However, there can be no assurance that disease resistance or other factors will not limit the efficacy of Agenerase.

In addition to protease inhibitors, there are two other classes of antiviral drugs currently approved for the treatment of HIV/AIDS. Nucleoside reverse transcriptase inhibitors, or NRTIs, include AZT, d4T, ddI, ddC, 3TC and abacavir. Non-nucleoside reverse transcriptase inhibitors, or NNRTIs, include efavirenz, nevirapine and delavirdine. Both classes of drugs act by inhibiting reverse transcriptase, a viral enzyme required for replication. The clinical utility of each of these drugs is limited by significant side effects and by the development of viral resistance. Clinical studies have demonstrated that therapies for HIV infection which comprise a combination of three or more drugs including at least two drug classes ("drug cocktails") are superior in potency and durability of response to those which do not. Such combinations are currently accepted as the standard of care for HIV infection.

PROGRAM STATUS

Glaxo Wellcome, the Company's HIV research and development partner, has filed for U.S. regulatory approval for marketing Agenerase and has made equivalent regulatory filings in Europe, Canada and other countries. Glaxo Wellcome is the global leader in sales of HIV therapeutics. To support Agenerase in the marketplace, Vertex has established a small clinical liaison force to build relationships with physicians and patient treatment advocates. The Company will receive a royalty based on Glaxo Wellcome's sales of Agenerase. Agenerase has already been made available to more than 2,000 patients through an early access program.

Glaxo Wellcome filed the New Drug Application for Agenerase on October 15, 1998, and the FDA has designated Agenerase for review under the its guidelines for accelerated approval. Vertex and Glaxo Wellcome are continuing development activities with respect to Agenerase, including on-going Phase III studies to support the full approval of the drug, and on-going and planned Phase IV studies designed to further characterize and expand the utilization of the product.

There can be no assurance, however, that the New Drug Application will be approved within the expected time-frame or at all, that full approval will be granted on the basis of ongoing Phase III studies, or that the Phase IV studies will commence as planned or will be successful.

In 1995, Kissei completed single dose and multi-dose, placebo-controlled, Phase I clinical trials. Vertex expects that in 1999 Kissei will initiate a Phase II/III efficacy trial in HIV-positive patients in Japan. The results of such trials, together with clinical data from the Glaxo Wellcome trials, could form the basis for a filing for marketing approval of amprenavir in Japan. There can be no assurance, however, that these clinical trials will commence or proceed as currently anticipated.

In collaboration with Glaxo Wellcome, Vertex is also engaged in research to develop new formulations of amprenavir. In addition, Vertex and Glaxo Wellcome are continuing to evaluate new lead classes of third generation HIV protease inhibitors discovered under their HIV research collaboration.

PATENTS

The Company has patents and pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's HIV research and development program. These include issued United States patents that cover classes of chemical compounds, pharmaceutical formulations and/or uses of the same for treating HIV infection and AIDS. The patents include specific coverage for amprenavir, the Company's lead drug candidate for treating HIV infection and AIDS, pharmaceutical formulations containing amprenavir and methods of using of amprenavir to treat HIV infection or AIDS-related central nervous system disorders. Another issued United States patent covers processes for preparing synthetic intermediates useful in the synthesis of a class of compounds that includes amprenavir. The Company also has a non-exclusive, worldwide license under certain G.D. Searle & Company patent applications claiming HIV protease inhibitors.

CANCER MULTIDRUG RESISTANCE (MDR) PROGRAM

OVERVIEW

Vertex is developing novel compounds to treat and prevent the occurrence of drug resistance associated with the failure of cancer chemotherapy. Vertex is developing Incel-TM- (also referred to as biricodar dicitrate or VX-710), a compound that blocks major multidrug resistance mechanisms, including P-glycoprotein, or P-gp, and multidrug resistance associated protein, or MRP. Incel, an intravenous compound, is intended to be administered in combination with cancer chemotherapy agents, such as doxorubicin, paclitaxel, vincristine, etoposide and mitoxantrone. Vertex is conducting Phase II clinical trials of Incel in five different types of cancer. In addition, Vertex is conducting a Phase I/II clinical trial of the compound VX-853, an oral MDR inhibitor, in patients with solid tumors. The Company retains all commercial rights to Incel worldwide, except for Canada, where BioChem Pharma Inc. has rights under a collaboration agreement with Vertex.

BACKGROUND

The American Cancer Society estimates that during 1998 more than 1.2 million people in the United States were diagnosed with invasive cancer and more than 560,000 people in the U.S. died from such cancers. The Company believes that a significant number of these patients fail to respond or relapse following chemotherapy because of multidrug resistance, or MDR.

Multidrug resistance is frequently associated with the failure of chemotherapy. A major contributing factor to MDR is the presence of molecular pumps, including P-gP and MRP, that function to expel chemotherapeutic agents from cancer cells, preventing the sustained delivery of

potent levels of the chemotherapeutic agents required for therapeutic benefit. As a consequence, such resistant tumor cells cannot be killed efficiently by anticancer drugs such as doxorubicin, vincristine, etoposide and paclitaxel. P-gp has been associated with MDR in a variety of cancers including liver cancer, breast cancer, soft tissue sarcoma, prostate cancer, colon cancer, pancreatic cancer, acute myelogenous leukemia, multiple myeloma and certain lung cancers. MRP was recently identified as another drug efflux pump and is also associated with resistance observed.

No drug has been approved by the FDA specifically for the treatment of MDR, but several compounds are in advanced clinical studies. Certain agents, such as dex-verapamil and cyclosporin A, have been shown in preliminary human studies to have some promise for overcoming clinical resistance to certain commonly used chemotherapeutic agents. The Company believes these drugs affect only a subset of the MDR pumps and may have side effects that could limit broad use. Second generation multidrug reversing agents, such as valspodar, a cyclosporin analog, are also currently being evaluated by other companies.

PROGRAM STATUS

Vertex's lead compound, Incel, has displayed potent activity IN VITRO as an inhibitor of MDR for a number of chemotherapeutic agents in a variety of tumor types. Vertex has completed two Phase I/II studies with Incel in combination with doxorubicin and with paclitaxel. Vertex also completed a Phase II study of Incel in combination with doxorubicin in patients with liver cancer. Vertex does not intend to pursue this indication further at the present time. The Company is currently conducting five Phase II clinical studies of Incel. Preliminary results from the Phase II studies indicate that sustained blood levels of Incel in excess of those necessary to reverse MDR IN VITRO can be achieved. Pharmacokinetic data of Incel in combination with paclitaxel indicated that the compound has a dose sparing effect, suggesting that approximately one-half the dose of paclitaxel can be used when that drug is administered with Incel.

Phase II clinical trials of Incel are currently being conducted in the following indications:

- - BREAST CANCER. In 1997, the Company initiated a Phase II multi-center trial to assess the safety and efficacy of the co-administration of Incel and paclitaxel in patients with metastatic breast cancer. Interim data reported at the 21st Annual Breast Cancer Symposium in 1998 suggest that Incel may play a role in restoring the activity of paclitaxel in some patients with advanced breast cancer whose tumors have previously been resistant to paclitaxel therapy.

- - SOFT TISSUE SARCOMA. The Company began a Phase II trial in 1997 to study Incel in combination with doxorubicin in patients with soft tissue sarcoma. Preliminary results from 11 patients, announced at the 4th Connective Tissue Oncology Society Meeting in 1998 indicated that treatment with Incel and doxorubicin was well-tolerated, showed no marked drug interactions, and indicated that Incel could also play a role in restoring the activity of doxorubicin in this patient population.

- - OVARIAN CANCER. A study of Incel in combination with paclitaxel in patients with ovarian cancer began in 1997. This open-label Phase II clinical trial will evaluate the tolerability, safety, pharmacokinetics and efficacy of the compound with paclitaxel.

- - PROSTATE CANCER. In 1998, Vertex began a Phase II clinical trial evaluating the pharmacokinetics and efficacy of Incel in combination with mitoxantrone and prednisone in patients with advanced hormone-refractory prostate cancer. This study is the first to examine Incel's activity in an exclusively chemotherapy-naive patient population.

- - SMALL CELL LUNG CANCER. Also begun in 1998, this is an open-label, multi-center trial to evaluate the tolerability, pharmacokinetics and anti-tumor activity of Incel in combination with doxorubicin and vincristine in patients with progressive disease, who responded to initial

therapy and subsequently relapsed. This study will try to correlate the multidrug resistance profile of each patient with any therapeutic response to Incel.

Preliminary results from some of these studies are expected in 1999. The results will help to determine the most appropriate regimens and indications for Phase III clinical development of Incel. However, there can be no assurance that additional clinical trials will commence or trials currently under way will proceed as currently anticipated. The clinical efficacy of the suppression of mechanisms of action of MDR in chemotherapy in the treatment of cancer is unproven, and, therefore, there can be no assurance that the Company's MDR compounds in development will improve the efficacy of chemotherapy.

PATENTS

The Company has patents and pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's MDR research and development program. These include issued United States patents claiming Incel and structurally related compounds, VX-853 and structurally related compounds, and other compounds for treating multidrug resistance.

IMPDH PROGRAM

OVERVIEW

IMPDH is an enzyme that controls the synthesis of certain nucleotides which are required for RNA and DNA synthesis. Most cell types can use an alternative pathway if IMPDH is inhibited, but a few cell types, such as lymphocytes and virus-infected cells, are completely dependent on this enzyme. IMPDH inhibitors thus selectively block the proliferation of lymphocytes and the replication of certain viruses, and Vertex believes that IMPDH inhibitors may be useful both in immunosuppression and as antiviral agents. VX-497 is a novel, orally administered IMPDH inhibitor designed by Vertex. Vertex is conducting Phase II clinical trials of VX-497 for the treatment of severe chronic plaque-type psoriasis and for the treatment of hepatitis C virus ("HCV") infection. The Company retains all commercial rights to compounds resulting from this program.

BACKGROUND

IMPDH catalyzes a key step in nucleotide biosynthesis. IMPDH inhibition appears to selectively suppress immune system cells while leaving other cells unaffected and may play an important role in down regulating inappropriate immune responses common to a range of human diseases, including multiple sclerosis, inflammatory bowel disease, psoriasis, rheumatoid arthritis and systemic lupus erythematosus. IMPDH inhibitors can be used to prevent the rejection of transplanted organs and may also have anti-viral effects.

The Company is aware of only two IMPDH inhibitors currently on the market in the United States. Hoffmann-La Roche's mycophenolate mofetil is approved for use in combination with cyclosporine to prevent acute rejection in kidney and heart transplantation. Schering-Plough's ribavirin was approved in 1998 for treatment, in combination with alpha interferon, of Hepatitis C infection. The Company believes that compound-specific side effects of mycophenolate mofetil and ribavirin may limit their use for chronic autoimmune disorders.

Psoriasis was selected as the first chronic autoimmune indication for VX-497 development. There is a sigificant medical need for new therapies for moderate to severe psoriasis patients. A chemically unrelated IMPDH inhibitor, mycophenolic acid, was investigated in psoriasis in the 1970's. Despite clear-cut efficacy, its development was terminated due to toxicity and tolerability

problems. It did however, establish proof of the principle of IMPDH inhibition as a therapeutic approach for psoriasis. In addition to topical and intralesional medications, moderate to severely afflicted patients are treated with phototherapy (UVB and PUVA), and systemic drugs such as methotrexate, retinoids, and cyclosporine. However, these treatments require extensive medical supervision, and/or have serious toxic side effects.

As an immunosuppressive, VX-497 may block the growth of certain lymphocyte populations that contribute to the inflammation of the liver in HCV patients. VX-497 may also have a direct antiviral effect on HCV and other viruses. Although it has not been possible to test potential drugs against hepatitis C IN VITRO because an HCV replication model has not been available, studies of VX-497 against related viruses have demonstrated that VX-497 may be a powerful inhibitor of viral replication.

According to the U.S. Center for Disease Control (CDC) estimates, approximately 4 million people in the United States are infected with HCV, and there are estimated to be approximately 170 million chronic carriers of the virus worldwide. Current treatment options are limited. Various forms of interferon alpha are the most common treatment used, but provide lasting benefit in less than 20% of patients. Recent research results indicate that combination therapy of interferon plus ribavirin may increase the long-term rate of sustained response to treatment. Still, more than 50% of patients fail combination ribavirin-interferon therapy, and additional safe and effective treatments for HCV infection are needed.

PROGRAM STATUS

A Phase I clinical trial investigating the pharmacokinetics and tolerability of VX-497 in escalating single doses in healthy subjects was completed in the United Kingdom in early 1998. Data from that study show that VX-497 is well tolerated and achieves blood levels well above the threshhold necessary to inhibit IMPDH IN VITRO.

Vertex is now conducting a Phase II clinical trial of VX-497 to determine the tolerability and pharmacokinetic profile of VX-497 in psoriasis patients. This is a randomized, blinded dose range-finding study. Preliminary safety and efficacy of VX-497 are being assessed in the 12-week trial. Vertex is also conducting a Phase II study of VX-497 for the treatment of HCV infection. Preliminary safety and efficacy are being assessed in this four-week dose range-finding monotherapy trial.

Future clinical development of VX-497 in HCV may involve assessment of the compound in combination with other agents such as interferon alpha. The Company may also expand clinical development of VX-497 into additional autoimmune, transplant and antiviral indications in the future. There can be no assurance, however, that additional clinical trials will commence or that studies currently under way will proceed as anticipated.

PATENTS

The Company has patents and pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's IMPDH research and development program. These include an issued United States patent which covers a class of chemical compounds, pharmaceutical compositions containing such compounds, and methods of using those compounds to treat or prevent IMPDH-mediated diseases. The class of compounds covered by this patent includes VX-497.

ICE PROGRAM

OVERVIEW

Vertex is conducting research and development on inhibitors of interleukin-1 beta converting enzyme (ICE) for the treatment of acute and chronic inflammatory conditions, including rheumatoid arthritis (RA). The Company is collaborating with Hoechst Marion Roussel (HMR) in the development of the ICE inhibitor compound VX-740. A Phase I clinical trial of VX-740 in healthy volunteers was recently completed. Inhibitors of ICE may have application to a wide range of chronic and acute inflammatory diseases, such as rheumatoid arthritis, osteoarthritis, inflammatory bowel disease, sepsis, and pancreatitis.

BACKGROUND

Elevation of interleukin-1 beta (IL-1 beta) levels has been correlated to a number of acute and chronic inflammatory diseases. There are approximately 2.1 million patients with rheumatoid arthritis in the United States alone. Numerous companies are seeking to develop drugs to treat these conditions through various mechanisms. However, although several companies are pursuing ICE as a drug target, Vertex is not aware of any company with an ICE-inhibiting compound in clinical development, and there currently are no IL-1 beta inhibitors approved for marketing.

Inside specialized immune system cells, ICE activates the inflammatory cytokine protein IL-1 beta and the protein gamma interferon, a key immunoregulator that modulates antigen presentation, T-cell activation, and cell adhesion. This triggers a cascade of events that produces inflammation. Vertex and HMR scientists have designed several classes of small molecule ICE inhibitors, including VX-740, the development candidate in the collaboration.

Currently, non-steroidal anti-inflammatory drugs and other anti-inflammatory approaches which provide some symptomatic relief without altering disease progression, are used extensively in the treatment of RA. A few disease-modifying anti-rheumatic drugs such as methotrexate have been available or have been investigated for a number of years, but have toxicities that limit their long-term use. New biologics such as etanercept (Enbrel) and infliximab (Remicade) seek to attenuate the anti-inflammatory process by targeting TNF-alpha. In addition, studies with soluble IL-1 receptor and IL-1 receptor antagonist have shown reduced joint destruction in RA patients. However, current anticytokine therapies for RA and inflammatory bowel disease are protein-based and must be injected. The Company believes that an oral therapy which can alter the course of disease with few side effects would be a major addition to the RA therapeutic arsenal.

PROGRAM STATUS

The first clinical trial of VX-740 was a study involving 18 healthy volunteers begun in 1998. This study was designed to test the pharmacokinetics and tolerability of the compound in a range of single doses. Preliminary results of this study indicate that the drug was well tolerated. VX-740 has been shown to be orally active in several animal models of human inflammatory disease, including models for acute and chronic arthritis. Vertex expects that a Phase II study of VX-740 for the treatment of rheumatoid arthritis will be the next step in the development program. However, there can be no assurance that clinical trials will commence or proceed as currently anticipated.

PATENTS

The Company has patents and pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's ICE research and development program. These include issued United States patents covering several

different classes of compounds useful as inhibitors of ICE, pharmaceutical compositions containing those compounds and methods of using those compounds to treat ICE-related diseases. These patents and applications include a series of patents and applications purchased from Sanofi S.A., in July 1997. The Company also has a United States patent obtained from Sanofi S.A. that covers DNA sequences encoding ICE.

NEUROPHILIN LIGAND PROGRAM

OVERVIEW

The goal of the Neurophilin Ligand Program is to discover and develop drugs useful in the treatment of neurological disorders such as peripheral neuropathies, including diabetic neuropathy, Parkinson's disease, trauma, and amyotrophic lateral sclerosis, or ALS. Vertex has used information-driven drug design to synthesize a library of orally available small molecule compounds that have the potential to promote recovery of nerve function and nerve growth. Vertex is engaged in worldwide strategic partnership with Schering AG, Germany for research, development and commercialization of neurophilin ligands for the treatment of a variety of neurological disorders. In November 1998, Vertex started a Phase II clinical trial of timcodar dimesylate (also referred to as VX-853) in diabetic neuropathy patients. Schering AG has an option to co-develop timcodar dimesylate with Vertex under the collaboration agreement.

BACKGROUND

Neurodegenerative disorders are among the diseases with the fewest available effective treatments. Central nervous system disorders such as Alzheimer's disease, Parkinson's disease and multiple sclerosis affect millions of patients worldwide, and for some of these there are no approved therapies that alter the course of disease progression. Peripheral neuropathies encompass a wide spectrum of clinical syndromes for which treatments of only limited efficacy are available. Diabetic neuropathy, the indication for Vertex's ongoing Phase II study of timcodar dimesylate, is the most common identifiable cause of neuropathy. There are approximately 1.3 million patients with moderate to severe diabetic neuropathy in the United States.

Effective treatment of both central and peripheral neurological disorders has long been hampered by the inability to slow, arrest, or reverse nerve damage or progression. Other companies are developing various neurotrophic factors (proteins) for these indications, but the Company believes their clinical utility is likely to be limited. Based on Vertex's extensive research in the field of immunosuppressive drugs, the Company has been able to generate a large number of compounds, known as neurophilin ligands, that trigger nerve growth activity. Extensive IN VITRO and IN VIVO studies conducted with a reference compound designed by Vertex support the broad potential of Vertex's neurophilin ligands in the treatment of degenerative central nervous system and peripheral nervous system diseases. Vertex's clinical neurophilin ligand candidate, timcodar, has demonstrated potent activity in promoting neurite outgrowth and functional recovery of nerves in preclinical studies. Vertex researchers are still seeking to determine the mechanism of action of neurophilin ligands.

PROGRAM STATUS

In October 1998, Vertex started a Phase II clinical trial with timcodar dimesylate. Approximately 70 patients will be enrolled in the trial, which is expected to be conducted at eight centers in the United States. This is a double-blind, placebo controlled trial. Primary objectives will be to evaluate the safety and tolerability of six different dose regimens of timcodar administered orally over a 28-day period. Nerve function will also be monitored. A single-dose Phase I study of four different doses of timcodar in healthy volunteers was completed in 1998, providing support for Phase II clinical development in the indication of diabetic neuropathy. IN

VITRO results have shown timcodar's ability to promote neurite outgrowth, and IN VIVO results have shown that timcodar can prevent neural dysfunction in a model of diabetic polyneuropathy.

PATENTS

The Company has patents and pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's Neurophilin research and development program. These include issued United States patents covering the use of various classes of chemical compounds to treat a wide variety of neurological disorders. One of these patents specifically covers the use of timcodar to treat neurological disorders.

P38 MAP KINASE PROGRAM

OVERVIEW

Vertex is collaborating with Kissei on the design, development and commercialization of inhibitors of p38 MAP kinase. The p38 MAP kinase is a human enzyme involved with the onset and progression of inflammation and programmed cell death. The objective of Vertex's research collaboration with Kissei is to identify and extensively evaluate compounds that target p38 MAP kinase to develop novel, orally active drugs for the treatment of inflammatory diseases, such as rheumatoid arthritis, asthma, and Crohn's disease, and neurological diseases such as stroke. In March 1999, the Company initiated a Phase I clinical trial with VX-745, a novel orally administered investigational drug targeting p38 MAP kinase.

BACKGROUND

The mitogen-activated protein (MAP) kinases are a family of structurally-related human enzymes involved in intracellular signaling pathways that enable cells to respond to their environment. When activated, the p38 MAP kinase triggers production of the cytokines interleukin-1 (IL-1), interleukin-6 (IL-6) and tumor necrosis factor TNF-alpha. Excess levels of IL-1 and TNF-alpha are associated with a broad range of acute and chronic inflammatory diseases. They also play an important role in programmed cell death associated with ischemia and stroke, and in neurodegenerative diseases such as Alzheimer's and Parkinson's disease. Vertex is aware of several other companies that are developing p38 MAP kinase inhibitors.

PROGRAM STATUS

During 1998, Vertex and Kissei selected VX-745 as a lead drug development candidate targeting p38 MAP kinase. The Company began a Phase I clinical trial of the compound in healthy volunteers in early 1999. The study, which is being conducted in Europe, will assess the compound's safety and help to determine the dose range for subsequent studies. The Phase I randomized, blinded clinical trial is designed to test the pharmacokinetics and tolerability of VX-745 in escalating single doses in healthy volunteers. The trial will assess the ability of different doses of VX-745 to inhibit experimentally induced TNF-alpha production using specific biochemical assays. Following completion of the study, Vertex may conduct additional single or multidose trials of VX-745. VX-745 has been shown to slow disease progression in animal models of immune-mediated arthritis. However, there can be no assurance that clinical trials will commence or proceed as currently anticipated.

PATENTS

The Company has pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's p38 MAP Kinase research and development program. Certain of the applications cover a class of chemical compounds that includes VX-745, as well as VX-745 specifically, compositions comprising those compounds and the use of those compounds to treat p38-related disorder.

RESEARCH PROGRAMS

HEPATITIS C VIRUS PROGRAMS

The Company is conducting two discovery research programs to develop compounds to treat hepatitis C. Identified in 1989, the hepatitis C virus (HCV) causes chronic inflammation in the liver. In a majority of patients, HCV establishes a chronic infection that can persist for decades and eventually lead to cirrhosis, liver failure and liver cancer. HCV infection represents a significant medical problem worldwide for which there is inadequate or no therapy for a majority of patients. Sources at the CDC have estimated that approximately 4 million Americans, or more than 1% of the population, may be infected with HCV, and there are estimated to be more than 100 million chronic carriers of the virus worldwide. Currently, there is no vaccine available to prevent hepatitis C infection. The only drugs approved for the treatment of hepatitis C are interferon alpha and ribavarin. Combination therapy with interferon alpha and ribavarin is the most successful treatment currently available, but over 50% of patients still failed to show long-term sustained response to that combination, and safe and effective treatments for HCV infection are needed.

HEPATITIS C PROTEASE

The hepatitis C NS3-4A serine protease is a virally encoded enzyme generally believed to be essential for replication of HCV. Under an agreement signed during 1997, Vertex and Eli Lilly and Company are collaborating on the research, development and commercialization of novel, orally active HCV protease inhibitors for the treatment of hepatitis C infection. This research derives heavily from detailed structural information about the protease, discovered and developed by Vertex researchers.

The Company has pending patent applications in the United States and in certain foreign countries covering intellectual property developed as part of the Company's Hepatitis C Protease research and development program. Vertex has an issued United States patent covering an assay useful to evaluate potential inhibitors of Hepatitis C protease.

HEPATITIS C HELICASE

Vertex is also conducting discovery research to design orally deliverable drugs to inhibit the hepatitis C virus helicase. The NS3 helicase enzyme is believed to play an essential role in the infectious cycle of the hepatitis C virus by aligning viral DNA in its proper configuration for replication. Therefore, the HCV helicase represents an attractive target for drug discovery.

Researchers from Vertex solved the three-dimensional atomic structure of the hepatitis C virus NS3 helicase. Vertex is using the structural information to identify and optimize inhibitors of the enzyme, employing structure-based techniques, including cluster-based screening, and

computational, combinatorial, and medicinal chemistry, to design novel small molecule inhibitors of the HCV helicase for clinical development as new antiviral drugs to treat HCV infection.

The Company has pending patent applications in the United States covering intellectual property developed as part of the Company's Hepatitis C Helicase research and development program. These applications cover Hepatitis C helicase inhibitors and the X-ray crystal structure of Hepatitis C helicase.

CASPASE INHIBITORS PROGRAM

Vertex is conducting a major multidisciplinary research effort to design of novel, small molecule inhibitors of apoptosis (programmed cell death) for the treatment of a variety of pathological conditions including major neurodegenerative and cardiovascular diseases. In this separate caspase inhibitor program, Vertex scientists are capitalizing on expertise gained through the Company's successful design and optimization of inhibitors of ICE (Caspase-1). Recent highlights include the solution of the caspase-3 structure by X-ray crystallography and the first description of the caspase-9 gene knockout mouse, establishing that this enzyme is of particular importance in neurobiology. With respect to drug discovery, Vertex's caspase research has resulted in the identification of novel compounds with activity in enzyme assays, cellular assays, and animal models. The goal of Vertex's caspase inhibitors program is to discover and develop novel drugs useful for treating neurodegenerative disorders such as Alzheimer's and Parkinson's disease and for decreasing the tissue damage in myocardial infarction and stroke.

JNK3 MAP KINASE INHIBITORS PROGRAM

Vertex is currently engaged in a research effort to identify JNK3 MAP kinase inhibitors. Vertex's studies have been accelerated by the experience gained in Vertex's p38 MAP kinase program with Kissei. Jun N-terminal kinase (JNK) is a member of the same group of structurally-related enzymes as p38 MAP kinase. Recent findings suggest that JNK3 plays an important role in central nervous system disorders such as epilepsy, stroke and Alzheimer's Disease. JNK3 also has been implicated in Parkinson's disease. Vertex has solved and in 1998 reported in the journal STRUCTURE the X-ray crystal structure of JNK3 complexed to an analog of the co-factor molecule ATP. Using proprietary structural information of the JNK3 and other MAP kinase enzymes, Vertex scientists selected initial compounds for investigation as potential inhibitors. Vertex has identified several novel classes of JNK3 MAP kinase inhibitors and is currently using advanced drug discovery technology to move lead compounds toward clinical candidate status.

CORPORATE COLLABORATIONS

Vertex has entered into corporate collaborations with pharmaceutical companies that provide financial and other resources, including capabilities in research, development, manufacturing, and sales and marketing, to support the Company's research and development programs. At present, the Company has the following major corporate collaborations.

GLAXO WELLCOME PLC.

Vertex and Glaxo Wellcome are collaborating on the development and commercialization of Agenerase (amprenavir). Under the collaborative agreement for research and development of HIV protease inhibitors, which began in December 1993, Glaxo Wellcome agreed to pay Vertex up to $42 million, comprised of a $15 million initial license payment paid in December 1993, $14 million of product research funding over five years and $13 million of development and commercialization milestone payments for an initial drug candidate. From the inception of the agreement in December 1993 through December 31, 1998, Vertex has recognized as revenue $34 million. The Company has received the full amount of research funding specified under the agreement. Glaxo Wellcome is

also obligated to pay to Vertex additional development and commercialization milestone payments for subsequent drug candidates. In addition, Glaxo Wellcome is required to bear the costs of development in its territory under the collaboration. Glaxo Wellcome has exclusive rights to develop and commercialize Vertex HIV protease inhibitors in all parts of the world except the Far East and will pay Vertex a royalty on sales. Vertex has retained certain bulk drug manufacturing rights and certain co-promotion rights in the territories licensed to Glaxo Wellcome.

Glaxo Wellcome has the right to terminate its agreement with the Company without cause upon twelve months' notice. Termination by Glaxo Wellcome of the agreement will relieve Glaxo Wellcome of its obligation to make further commercialization and development milestone and royalty payments, and will end any license granted to Glaxo Wellcome by Vertex thereunder, and could have a material adverse effect on the Company's business and result of operations.

Vertex and Glaxo Wellcome have a non-exclusive, worldwide license under certain Searle patent applications claiming HIV protease inhibitors to permit Vertex and Glaxo Wellcome to develop, manufacture and market Agenerase free of the risk of intellectual property claims by Searle. The terms of the license require Vertex to pay Searle a royalty on net sales.

KISSEI PHARMACEUTICAL CO., LTD.

AMPRENAVIR

Vertex and Kissei are collaborating on the development of amprenavir, Vertex's HIV protease inhibitor. Under the collaborative agreement, which began in April 1993, Kissei agreed to pay to Vertex up to $20 million, comprised of $9.8 million of product research funding over three years, $7 million of development and commercialization milestone payments and a $3.2 million equity investment. From the inception of the agreement in April 1993 through December 31, 1998, $14.6 million has been recognized as revenue. During 1997, the Company also received $4 million related to reimbursements of certain development costs. The Company has received the full amount of research funding specified under the agreement. Kissei has exclusive rights to develop and commercialize amprenavir in Japan, the People's Republic of China and several other countries in the Far East and will pay Vertex a royalty on sales. Vertex is responsible for the manufacture of bulk product for Kissei.

P38 MAP KINASE

In September 1997, the Company and Kissei entered into a collaborative agreement for the p38 MAP kinase program for the development and commercialization of novel, orally active drugs for the treatment of inflammatory and neurological diseases. Under the terms of the agreement, Kissei agreed to pay the Company up to $22 million, composed of a $4 million license payment paid in September 1997, $11 million of product research funding over three years and $7 million of development and commercialization milestone payments. From the inception of the agreement in September 1997 through December 31, 1998, $11 million has been recognized as revenue. The Company and Kissei will collaborate to identify and extensively evaluate compounds that target p38 MAP kinase. Kissei will have the right to develop and commercialize these compounds in its licensed territories. Kissei has exclusive rights to p38 MAP kinase compounds in Japan and certain Southeast Asian countries and semi-exclusive rights in China, Taiwan and South Korea. The Company retains exclusive marketing rights in the United States, Canada, Europe, and the rest of the world. In addition, the Company will have the right to supply bulk drug material to Kissei for sale in its territory, and will receive royalties and drug supply payments on any product sales. Kissei has the right to terminate the agreement without cause upon six months' notice.

BIOCHEM PHARMA INC.

The Company and BioChem are collaborating on the development and commercialization of Incel, the Company's lead compound in its cancer multidrug resistance program. Under the collaborative agreement, which began in May 1996, BioChem agreed to pay the Company up to $4 million comprised of an initial license payment of $500,000 and development and commercialization milestone payments. From the inception of the agreement in May 1996 through December 31, 1998, $0.8 million has been recognized as revenue. BioChem also agreed to bear certain costs of development of Incel in Canada. BioChem has exclusive rights to develop and commercialize Incel in Canada. The Company will supply BioChem's requirements of bulk and finished forms of Incel. BioChem will make payments to the Company for those materials based on sales of products by BioChem, which will cover Vertex's cost of supplying materials and will provide a profit to Vertex. BioChem has the right to terminate the agreement without cause upon six months' notice. Termination will relieve BioChem of any further payment obligations and will end any license granted to BioChem by Vertex under the agreement.

HOECHST MARION ROUSSEL

Vertex and HMR are collaborating on the development of ICE inhibitors as anti-inflammatory agents. Under the collaborative agreement, which commenced in September 1993, HMR is obligated to pay to Vertex up to $30.5 million, comprised of $18.5 million of product research funding over five years and $12 million of development and commercialization milestone payments. From the inception of the agreement in September 1993 through December 31, 1998, $21.5 million has been recognized as revenue. The Company received additional revenue related to reimbursements for clinical development in 1997. The Company has received the full amount of research funding specified under the agreement. HMR has exclusive rights to develop and market drugs resulting from the collaborative effort in Europe, Africa and the Middle East, and Vertex has exclusive development and marketing rights in the rest of the world, except the Far East, where Vertex shares those rights with HMR. HMR is obligated to pay a royalty to Vertex on any sales made in Europe, and Vertex is obligated to pay a royalty to HMR on any sales made in the United States or the rest of the Americas. Each party will have the option to co-promote products in the other party's exclusive territory. Vertex and HMR will each have rights to develop and market the drugs in Far Eastern countries including Japan.

ELI LILLY & COMPANY

In June 1997, Vertex and Lilly entered into a collaborative agreement for the research, development and commercialization of novel, small molecule compounds to treat hepatitis C infection. Under the terms of the agreement, Lilly will pay the Company up to $51 million composed of a $3 million up front payment paid in June 1997, $33 million of product research funding over six years and $15 million of development and commercialization milestone payments. From the inception of the agreement in June 1997 through December 31, 1998, $10.8 million has been recognized as revenue. The Company and Lilly will jointly manage the research, development, manufacturing and marketing of drug candidates emerging from the collaboration. The Company will have primary responsibility for drug design, process development and pre-commercial drug substance manufacturing, and Lilly will have primary responsibility for formulation, preclinical and clinical development and global marketing. The Company has the option to supply 100% of Lilly's commercial drug substance supply needs. The Company will receive royalties on future product sales, if any. If the Company exercises its commercial supply option, the Company will receive drug supply payments in addition to royalties on future product sales, if any. Lilly has the right to terminate the agreement without cause upon six months' notice after June 1999.

SCHERING AG

The Company and Schering AG, Germany are collaborating on the research, development and commercialization of novel, orally active neurophilin ligand compounds to promote nerve regeneration for the treatment of a number of neurological diseases. Under the terms of the agreement, Schering AG will pay the Company up to $88 million composed of a $6 million upfront license payment paid in September 1998, $22 million of product research funding over five years and $60 million of development and commercialization milestone payments. From the inception of the agreement in August 1998 through December 31, 1998, $10 million has been recognized as revenue. Under terms of the agreement, Vertex and Schering AG will have an equal role in management of neurophilin ligand research and product development. In North America, Vertex will have manufacturing rights, and Vertex and Schering AG will share equally in the marketing expenses and profits from commercialized compounds. In addition to having manufacturing rights in North America, the Company retains the option to manufacture bulk drug substance for sales and marketing in territories outside Europe, the Middle East and Africa. Schering AG will have the right to manufacture and market any commercialized compounds in Europe, the Middle East and Africa, and pay Vertex a royalty on product sales. After December 2000, Schering AG has the right to terminate without cause upon a six months' written notice.

ALTUS BIOLOGICS INC.

Altus Biologics Inc. develops, manufactures and markets products based on a novel and proprietary technology for stabilizing proteins. At December 31, 1998, Vertex owned approximately 70% of the capital stock of Altus. In February 1999, Vertex restructured its investment in Altus. As part of the transaction, Vertex provided Altus $3 million of cash and surrendered its shares of Altus preferred stock in exchange for two new classes of preferred stock and warrants. The new preferred stock provides Vertex with a minority ownership position in Altus, and the warrants, which become exercisable upon certain events, will provide Vertex with significant additional ownership potential. As a result of the transaction, Altus now operates independently from Vertex. In addition, Vertex has retained a non-exclusive royalty-free right to use Altus' technology for discovering, developing and manufacturing small molecule drugs.

PATENTS AND PROPRIETARY INFORMATION

The Company has rights in certain patents and pending patent applications that relate to compounds it is developing and methods of using such compounds, as discussed above. In addition, the Company actively seeks, when appropriate, protection for its products and proprietary information by means of United States and foreign patents, trademarks and contractual arrangements. Vertex has pending applications in the United States, and foreign counterpart applications in countries it deems appropriate, for all of its most advanced research and development programs. In addition, the Company relies upon trade secrets and contractual arrangements to protect certain of its proprietary information and products.

There can be no assurance that any patents will issue from any of the Company's patent applications or, even if patents issue or have issued, that the claims thereof will provide the Company with any significant protection against competitive products or otherwise be valuable commercially. Legal standards relating to the validity of patents and the proper scope of their claims in the biopharmaceutical field are still evolving, and there is no consistent policy regarding the breadth of claims allowed in biopharmaceutical patents. No assurance can be given as to the Company's ability to avoid infringing, and thus having to negotiate a license under, any patents issued to others, or that a license to such patents would be available on commercially acceptable terms, if at all. See Item 3, "Legal Proceedings."

Further, there can be no assurance that any patents issued to or licensed by the Company will not be infringed by the products of others, which may require the Company to engage in patent infringement litigation. In addition to being a party to patent infringement litigation, the Company could be required to participate in interference proceedings declared by the United States Patent and Trademark Office. Defense or prosecution of patent infringement litigation, as well as participation in interference proceedings, can be expensive and time consuming, even in those instances in which the outcome is favorable to the Company. If the outcome of any such litigation or proceeding were adverse, the Company could be subject to significant liabilities to third parties, could be required to obtain licenses from third parties or could be required to cease sales of the affected products, any of which could have a material adverse effect on the Company.

Much of the Company's technology and many of its processes are dependent upon the knowledge, experience and skills of key scientific and technical personnel. To protect its rights to its proprietary know-how and technology, the Company requires all employees, consultants, advisors and collaborators to enter into confidentiality agreements that prohibit the disclosure of confidential information to anyone outside the Company. These agreements require disclosure and assignment to the Company of ideas, developments, discoveries and inventions made by employees, consultants, advisors and collaborators. However, there can be no assurance that these agreements will effectively prevent disclosure of the Company's confidential information or will provide meaningful protection for the Company's confidential information if there is unauthorized use or disclosure.

MANUFACTURING

The Company relies on third party manufacturers and collaborative partners to produce its compounds for preclinical and clinical purposes and may do so for commercial production of any compounds that are approved for marketing. Commercial manufacturing of Agenerase will be done, at least initially, by Glaxo Wellcome. Vertex retains the option to manufacture a portion of Glaxo Wellcome's requirements for bulk drug substance. If Vertex were to exercise that option, it would rely upon one or more contract manufacturers to manufacture the Agenerase bulk drug substance on its behalf.

The Company has established a quality assurance program, including a set of standard operating procedures, intended to ensure that third party manufacturers under contract produce the Company's compounds in accordance with the FDA's current Good Manufacturing Practices, or cGMP, and other applicable regulations.

The Company believes that all of its existing compounds can be produced using established manufacturing methods, primarily through standard techniques of pharmaceutical synthesis. The Company believes that it will be able to continue to negotiate third party manufacturing arrangements on commercially reasonable terms and that it will not be necessary for it to develop internal manufacturing capability in order to successfully commercialize its products. The Company's objective is to maintain flexibility in deciding whether to develop internal manufacturing capabilities for certain of its potential products. However, in the event that the Company is unable to obtain contract manufacturing, or obtain such manufacturing on commercially reasonable terms, it may not be able to commercialize its products as planned. The Company has limited experience in manufacturing pharmaceutical or other products or in conducting manufacturing testing programs required to obtain FDA and other regulatory approvals, and there can be no assurance that the Company will further develop such capabilities successfully.

Since most of the Company's potential products are at an early stage of development, the Company will need to improve or modify its existing manufacturing processes and capabilities to produce commercial quantities of any drug product economically. The Company cannot quantify the time or expense that may ultimately be required to improve or modify its existing process technologies, but

it is possible that such time or expense could be substantial.

The production of Vertex's compounds is based in part on technology that the Company believes to be proprietary. Vertex may license this technology to contract manufacturers to enable them to manufacture compounds for the Company. In addition, a contract manufacturer may develop process technology related to the manufacture of Vertex's compounds that the manufacturer owns either independently or jointly with the Company. This would increase the Company's reliance on such manufacturer or require the Company to obtain a license from such manufacturer in order to have its products manufactured.

Some of the Company's current corporate partners have certain manufacturing rights with respect to the Company's products under development, and there can be no assurance that such corporate partners' rights will not impede the Company's ability to conduct the development programs and commercialize any resulting products in accordance with the schedules and in the manner currently contemplated by the Company.

COMPETITION

The Company is engaged in pharmaceutical fields characterized by extensive research efforts, rapid technological progress and intense competition. There are many public and private companies, including pharmaceutical companies, chemical companies and biotechnology companies, engaged in developing products for the same human therapeutic applications as those targeted by Vertex. In order for the Company to compete successfully, it must demonstrate improved safety, efficacy, ease of manufacturing and market acceptance of its products over those of its competitors who have received regulatory approval and are currently marketing their drugs. In the field of HIV protease inhibition, Merck & Co., Inc., Abbott Laboratories, Inc., Hoffmann-La Roche, and Agouron Pharmaceuticals, Inc. have HIV protease inhibitor drugs that are already on the market. Many of the Company's competitors have substantially greater financial, technical and human resources than those of the Company and more experience in the development of new drugs. See "Risk Factors--Vertex Faces Substantial Competition."

GOVERNMENT REGULATION

The Company's development, manufacture and potential sale of therapeutics are subject to extensive regulation by United States and foreign governmental authorities. In particular, pharmaceutical products are subject to rigorous preclinical and clinical testing and to other approval requirements by the FDA in the United States under the Food, Drug and Cosmetic Act and by comparable agencies in most foreign countries.

As an initial step in the FDA regulatory approval process, preclinical studies are typically conducted in animals to identify potential safety problems. For certain diseases, animal models exist that are believed to be predictive of human efficacy. For such diseases, a drug candidate is tested in an animal model. The results of the studies are submitted to the FDA as a part of the Investigational New Drug application (IND) which is filed to comply with FDA regulations prior to commencement of human clinical testing. For other diseases for which no appropriately predictive animal model exists, no such results can be filed. For several of the Company's drug candidates, no appropriately predictive model exists. As a result, no IN VIVO evidence of efficacy would be available until such compounds progress to human clinical trials.

Clinical trials are typically conducted in three sequential phases, although the phases may overlap. In Phase I, which frequently begins with the initial introduction of the drug into healthy human subjects prior to introduction into patients, the compound will be tested for safety, dosage tolerance, absorption, bioavailability, biodistribution, metabolism, excretion, clinical pharmacology and, if possible, for early information on effectiveness. Phase II typically involves

studies in a small sample of the intended patient population to assess the efficacy of the drug for a specific indication, to determine dose tolerance and the optimal dose range and to gather additional information relating to safety and potential adverse effects. Phase III trials are undertaken to further evaluate clinical safety and efficacy in an expanded patient population at geographically dispersed study sites, to determine the overall risk-benefit ratio of the drug and to provide an adequate basis for physician labeling. Each trial is conducted in accordance with certain standards under protocols that detail the objectives of the study, the parameters to be used to monitor safety and the efficacy criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND. Further, each clinical study must be evaluated by an independent Institutional Review Board at the institution at which the study will be conducted. The Institutional Review Board will consider, among other things, ethical factors, the safety of human subjects and the possible liability of the institution.

Data from preclinical testing and clinical trials are submitted to the FDA in a New Drug Application (NDA) for marketing approval. The process of completing clinical testing and obtaining FDA approval for a new drug is likely to take a number of years and require the expenditure of substantial resources. Preparing an NDA involves considerable data collection, verification, analysis and expense, and there can be no assurance that approval will be granted on a timely basis, if at all. The approval process is affected by a number of factors, including the severity of the disease, the availability of alternative treatments and the risks and benefits demonstrated in clinical trials. The FDA may deny an NDA if applicable regulatory criteria are not satisfied or may require additional testing or information. Among the conditions for marketing approval is the requirement that the prospective manufacturer's quality control and manufacturing procedures conform to the FDA's cGMP regulations, which must be followed at all times. In complying with standards set forth in these regulations, manufacturers must continue to expend time, monies and effort in the area of production and quality control to ensure full technical compliance. Manufacturing establishments, both foreign and domestic, also are subject to inspections by or under the authority of the FDA and by or under the authority of other federal, state or local agencies.

Even after initial FDA approval has been obtained, further studies, including post-marketing studies, may be required to provide additional data on safety and will be required to gain approval for the use of a product as a treatment for clinical indications other than those for which the product was initially tested. Also, the FDA will require post-marketing reporting to monitor the side effects of the drug. Results of post-marketing programs may limit or expand further marketing of the products. Further, if there are any modifications to the drug, including changes in indication, manufacturing process, labeling or manufacturing facilities, an NDA supplement may be required to be submitted to the FDA.

The Orphan Drug Act provides incentives to drug manufacturers to develop and manufacture drugs for the treatment of diseases or conditions that affect fewer than 200,000 individuals in the United States. Orphan drug status can also be sought for diseases or conditions that affect more than 200,000 individuals in the United States if the sponsor does not realistically anticipate its product becoming profitable from sales in the United States. Under the Orphan Drug Act, a manufacturer of a designated orphan product can seek tax benefits, and the holder of the first FDA approval of a designated orphan product will be granted a seven-year period of marketing exclusivity for that product for the orphan indication. While the marketing exclusivity of an orphan drug would prevent other sponsors from obtaining approval of the same compound for the same indication, it would not prevent other types of drugs from being approved for the same use. The Company may apply for orphan drug status for certain indications of MDR in cancer.

Under the Drug Price Competition and Patent Term Restoration Act of 1984, a sponsor may be granted marketing exclusivity for a period of time following FDA approval of certain drug applications if FDA approval is received before the expiration of the patent's original term. This

marketing exclusivity would prevent a third party from obtaining FDA approval for a similar or identical drug through an Abbreviated New Drug Application, which is the application form typically used by manufacturers seeking approval of a generic drug. The statute also allows a patent owner to extend the term of the patent for a period equal to one-half the period of time elapsed between the filing of an IND and the filing of the corresponding NDA plus the period of time between the filing of the NDA and FDA approval. The Company intends to seek the benefits of this statute, but there can be no assurance that the Company will be able to obtain any such benefits.

Whether or not FDA approval has been obtained, approval of a drug product by regulatory authorities in foreign countries must be obtained prior to the commencement of commercial sales of the product in such countries. Historically, the requirements governing the conduct of clinical trials and product approvals, and the time required for approval, have varied widely from country to country.

In addition to the statutes and regulations described above, the Company is also subject to regulation under the Occupational Safety and Health Act, the Environmental Protection Act, the Toxic Substances Control Act, the Resource Conservation and Recovery Act and other present and potential future federal, state and local regulations.

HUMAN RESOURCES

As of December 31, 1998, Vertex had 304 full-time employees, including 219 in research and development, 38 in support services and 47 in general and administrative functions, and one part-time employee. Fourteen of these employees were located at Vertex's new U.K. research and development facility, opened in 1998. The Company's scientific staff members (103 of whom hold Ph.D. and/or M.D. degrees) have diversified experience and expertise in molecular and cell biology, biochemistry, animal pharmacology, synthetic organic chemistry, protein x-ray crystallography, protein nuclear magnetic resonance spectroscopy, computational chemistry, biophysical chemistry, medicinal chemistry, clinical pharmacology and clinical medicine. In addition, the Company's Altus subsidiary had 30 full-time employees as of December 31, 1998. The Company's employees are not covered by a collective bargaining agreement, and the Company considers its relations with its employees to be good.

EXECUTIVE OFFICERS

The names, ages and positions held by the executive officers of the Company are as follows:

Name	Age	Position
Joshua S. Boger, Ph.D.	47	Chairman, President and Chief Executive Officer
Richard H. Aldrich	44	Senior Vice President and Chief Business Officer
Vicki L. Sato, Ph.D.	50	Senior Vice President of Research and Development and Chief Scientific Officer; Chair of the Scientific Advisory Board
Iain P. M. Buchanan.	45	Vice President of European Operations; Managing Director of Vertex Pharmaceuticals (Europe) Limited
Thomas G. Auchincloss, Jr.	37	Vice President of Finance and Treasurer

All executive officers are elected by the Board of Directors to serve in their respective capacities until their successors are elected and qualified or until their earlier resignation or removal.

Dr. Boger is a founder of the Company and was its President and Chief Scientific Officer from its inception in 1989 until May 1992, when he became President and Chief Executive Officer. In 1997, Dr. Boger became Chairman, President and Chief Executive Officer. Dr. Boger has been a director since the Company's inception. Prior to founding the Company in 1989, Dr. Boger held the position of Senior Director of Basic Chemistry at Merck Sharp & Dohme Research Laboratories in Rahway, New Jersey, where he headed both the Department of Medicinal Chemistry of Immunology & Inflammation and the Department of Biophysical Chemistry. Dr. Boger is also a Director of Millennium Pharmaceuticals, Inc. Dr. Boger holds a B.A. in chemistry and philosophy from Wesleyan University and M.S. and Ph.D. degrees in chemistry from Harvard University.

Mr. Aldrich served as Vice President of Business Development of the Company from June 1989 to May 1992, when he became Vice President and Chief Business Officer. In December 1993, Mr. Aldrich was promoted to Senior Vice President and Chief Business Officer. He joined Vertex from Integrated Genetics, where he headed that company's business development group. Previously, he served as Program Executive at Biogen, Inc., where he coordinated worldwide commercial development of several biopharmaceuticals, and as Licensing Manager at Biogen S.A. in Geneva, Switzerland, where he managed European and Far Eastern licensing. Mr. Aldrich previously worked at the Boston Consulting Group, an international management consulting firm. Mr. Aldrich received a B.S. degree from Boston College and an M.B.A. from the Amos Tuck School of Business, Dartmouth College.

Dr. Sato joined Vertex in September 1992 as Vice President of Research and was appointed Senior Vice President of Research and Development in September 1994. Previously, she was Vice President, Research and a member of the Scientific Board of Biogen, Inc. As research head at Biogen, she directed research programs in the fields of inflammation, immunology, AIDS therapy and cardiovascular therapy from early research into advanced product development. Dr. Sato received an A.B. in biology from Radcliffe College and A.M. and Ph.D. degrees from Harvard University. Following postdoctoral work in chemistry and immunology at the University of California at Berkeley and Stanford Medical School, she was appointed to the faculty of Harvard University in the Department of Biology. Dr. Sato is also a Director of Mitotix, Inc.

Mr. Buchanan joined the Company in April 1994 from Cilag AG, a subsidiary of Johnson & Johnson based in Zug, Switzerland, where he served as its Regional Licensing Director since 1987. He previously held the position of Marketing Director of Biogen, Inc. in Switzerland. Prior to Biogen, Mr. Buchanan served in Product Management at Merck Sharp & Dohme (UK) Limited. Mr. Buchanan holds a B.Sc. from the University of St. Andrews, Scotland.

Mr. Auchincloss joined the Company in October 1994 after serving as an investment banker at Bear, Stearns & Co. Inc. since 1988, most recently as Associate Director of the Corporate Finance Department. Prior to Bear Stearns, Mr. Auchincloss was a financial analyst for PaineWebber, Inc. Mr. Auchincloss holds a B.S. from Babson College and an M.B.A. from The Wharton School, University of Pennsylvania.

SCIENTIFIC ADVISORY BOARD

The Company's Scientific Advisory Board consists of individuals with demonstrated expertise in various fields who advise the Company concerning long-term scientific planning, research and development. The Scientific Advisory Board also evaluates the Company's research programs, recommends personnel to the Company and advises the Company on technological matters. The members of the Scientific Advisory Board, which is chaired by Dr. Vicki L. Sato, are:

Vicki L. Sato, Ph.D.	Senior Vice President of Research and Development and Chief Scientific Officer, Vertex Pharmaceuticals Incorporated.
Steven J. Burakoff, M.D. . . .	Chair, Department of Pediatric Oncology, Dana-Farber Cancer Institute; Professor of Pediatrics, Harvard Medical School.
Eugene H. Cordes, Ph.D.. . . .	Professor of Pharmacy and Chemistry, University of Michigan at Ann Arbor.
Jerome E. Groopman, M.D. . . .	Chief, Division of Experimental Medicine, Beth Israel Deaconess Medical Center; Recanati Chair of Medicine and Professor of Medicine, Harvard Medical School.
Stephen C. Harrison, Ph.D. . .	Higgins Professor of Biochemistry, Harvard University; Investigator, Howard Hughes Medical Institute; Professor of Biological Chemistry and Molecular Pharmacology and Professor of Pediatrics, Harvard Medical School.
Jeremy R. Knowles, D. Phil.. .	Dean of the Faculty of Arts and Sciences and Amory Houghten Professor of Chemistry and Biochemistry, Harvard University.
Robert T. Schooley, M.D. . . .	Tim Gill Professor of Medicine and Head of Infectious Disease, University of Colorado Health Sciences Center.

Other than Dr. Sato, none of the members of the Scientific Advisory Board is employed by the Company, and members may have other commitments to or consulting or advisory contracts with their employers or other entities that may conflict or compete with their obligations to the Company. Accordingly, such persons are expected to devote only a small portion of their time to the Company. In addition to its Scientific Advisory Board, Vertex has established consulting relationships with a number of scientific and medical experts who advise the Company on a project-specific basis.

RISK FACTORS

The following factors, among others, could cause actual results to differ materially from those contained in forward-looking statements in this Report or presented elsewhere by Vertex.

Market Acceptance of Agenerase Cannot Yet Be Determined

Agenerase is currently awaiting marketing approval by regulatory authorities, and it is too early to predict whether the product will be successful in the market. Four other HIV protease inhibitors are on the market, as well as a number of other products for the treatment of HIV infection and AIDS. In addition, numerous other drugs are still in development by the Company's competitors, which may have more efficacy, fewer side effects, easier administration and/or lower costs. To date, HIV has been shown to develop resistance to antiviral drugs, including currently marketed HIV protease inhibitors. There can be no assurance that such disease resistance or other factors will not limit the efficacy of Agenerase. Although Vertex will co-promote Agenerase, most of the marketing effort and all of the sales effort will be made by Glaxo Wellcome, and Vertex will have little control over the success of those efforts.

SUCCESSFUL DEVELOPMENT OF PIPELINE CANNOT BE PREDICTED

The products that the Company is pursuing will require extensive additional development, testing and investment, as well as regulatory approvals, prior to commercialization. No assurance can be given that the Company's product development efforts will be successful, that required regulatory approvals will be obtained or that any products, if introduced, will be commercially successful. The results of preclinical and initial clinical trials of products under development by the Company are not necessarily predictive of results that will be obtained from large-scale clinical testing, and there can be no assurance that clinical trials of products under development will demonstrate the safety and efficacy of such products or will result in a marketable product. The administration alone or in combination with other drugs of any product developed by the Company may produce undesirable side effects in humans. The failure to demonstrate adequately the safety and efficacy of a therapeutic drug under development could delay or prevent regulatory approval of the product and could have a material adverse effect on the Company. In addition, the FDA may require additional clinical trials, which could result in increased costs and significant development delays. Commercial formulation and manufacturing processes have yet to be developed for the Company's drug candidates other than Agenerase. The Company or its collaborators may encounter difficulties in their manufacturing process development and formulation activities that could result in delays in clinical trials, regulatory submissions and commercialization of its products, or cause negative financial and competitive consequences.

CLINICAL TRIAL TIMING MAY BE SUBJECT TO DELAYS

The rate of completion of clinical trials of the Company's products is dependent upon, among other factors, the rate of patient accrual. Patient accrual is a function of many factors, including the size of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial and the availability of clinical trial material. Delays in planned patient enrollment in clinical trials may result in increased costs, program delays or both, which could have a material adverse effect on the Company. There can be no assurance that if clinical trials are completed the Company will be able to submit an NDA or that any such application will be reviewed and approved by the FDA in a timely manner, if at all.

VERTEX IS DEPENDENT ON COLLABORATIVE PARTNERS

The Company is engaged in research and development collaborations, pursuant to which its partners have agreed to fund portions of the Company's research and development programs and/or to conduct certain research and development relating to specified products, in exchange for certain technology, product and marketing rights relating to those products. Some of the Company's current corporate partners have certain rights to control the planning and execution of product development and clinical programs, and there can be no assurance that such corporate partners' rights to control aspects of such programs will not impede the Company's ability to conduct such programs in accordance with the schedules and in the manner currently contemplated by the Company for such programs. If any of the Company's corporate collaborators were to terminate its relationship with Vertex, it could have a material adverse effect on the Company's ability to fund related and other programs and to develop, manufacture and market any products that may have resulted from such collaboration. The Company expects to seek additional collaborative arrangements to develop and commercialize its products in the future. There can be no assurance that the Company will be able to establish acceptable collaborative arrangements in the future or that such collaborative arrangements will be successful.

THE TECHNOLOGIES USED BY VERTEX ARE RAPIDLY CHANGING

The Company is engaged in pharmaceutical fields characterized by extensive research efforts, rapid technological progress and intense competition. Further, the Company believes that interest in the application of structure-based drug design and related technologies may continue and may accelerate as the technologies become more widely understood. Businesses, academic institutions, governmental agencies and other public and private research organizations are conducting research to develop technologies that may compete with those used by the Company. It is possible that the Company's competitors could acquire or develop technologies that would render the Company's technology obsolete or noncompetitive.

VERTEX FACES SUBSTANTIAL COMPETITION

There are many public and private companies, including pharmaceutical companies, chemical companies and biotechnology companies, engaged in developing products for the human therapeutic applications targeted by Vertex. The Company is aware of efforts by others to develop products in each of the areas in which the Company has products in development. In addition, there can be no assurance that the Company's products in development will be able to compete effectively with products which are currently on the market. In order for the Company to compete successfully in these areas, it must demonstrate improved safety, efficacy, ease of manufacturing and market acceptance over its competitors, who have received regulatory approval and are currently marketing. Many of the Company's competitors have substantially greater financial, technical and human resources than those of the Company. In addition, many of the Company's competitors have significantly greater experience than the Company in conducting preclinical testing and human clinical trials of new pharmaceutical products, and in obtaining FDA and other regulatory approvals of products. Accordingly, certain of the Company's competitors may succeed in obtaining regulatory approval for products more rapidly than the Company. If the Company obtains regulatory approval and commences commercial sales of its products, it will also compete with respect to manufacturing efficiency and sales and marketing capabilities, areas in which it currently has no experience.

VERTEX RELIES ON THIRD PARTY MANUFACTURERS

The Company's ability to conduct clinical trials and its ability to commercialize its potential products will depend, in part, on its ability to manufacture its products on a large scale, either directly or through third parties, at a competitive cost and in accordance with FDA and other

regulatory requirements. The Company currently does not have the capacity to manufacture drugs in large-scale quanties and is dependent on third party manufacturers or collaborative partners for the production of its compounds for preclinical research, clinical trial purposes and commercial production. In the event that the Company is unable to obtain contract manufacturing, or obtain such manufacturing on commercially reasonable terms, it may not be able to conduct or complete clinical trials or commercialize its products as planned. The Company has no experience in manufacturing pharmaceutical or other products, and there can be no assurance that the Company will successfully develop such capabilities. Some of the Company's current corporate partners have certain manufacturing rights with respect to the Company's products under development, and there can be no assurance that such corporate partners' manufacturing rights will not impede the Company's ability to conduct the development programs and commercialize any resulting products in accordance with the schedules and in the manner currently contemplated by the Company.

THE REGULATORY APPROVAL PROCESS IS SUBJECT TO UNCERTAINTIES

The FDA and comparable agencies in foreign countries impose substantial requirements on the introduction of therapeutic pharmaceutical products through lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Satisfaction of these requirements typically takes several years or longer and may vary substantially based upon the type, complexity and novelty of the pharmaceutical product. Data obtained from preclinical and clinical activities are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. In addition, delays or rejections may be encountered based on changes in, or additions to, regulatory policies for drug approval during the period of product development and regulatory review. The effect of government regulation may be to delay or prevent the commencement of clinical trials or marketing of Company products, if any are developed and submitted for approval, for a considerable period of time, to impose costly procedures upon the Company's activities and to provide a competitive advantage to larger companies or companies more experienced in regulatory affairs that compete with the Company. Moreover, even if approval is granted, such approval may entail limitations on the indicated uses for which a compound may be marketed.

THE SCOPE OF PATENT PROTECTION IS UNCERTAIN

The Company's success will depend, in part, on its ability to obtain United States and foreign patent protection for its products and their uses, to preserve its trade secrets and to operate without infringing the proprietary rights of third parties. There can be no assurance that patents will issue from any of the Company's pending or future patent applications. Legal standards relating to the validity of patents and the proper scope of their claims in the biopharmaceutical field are still evolving, and there is no consistent law or policy regarding the valid breadth of claims in biopharmaceutical patents or the effect of prior art on them. If the Company is unable to obtain adequate patent protection, its ability to prevent competitors from making, using and selling competing products will be limited. Furthermore, the Company's activities may infringe the claims of the patents held by third parties. Defense and prosecution of patent claims, as well as participation in interference proceedings, can be expensive and time-consuming, even in those instances in which the outcome is favorable to the Company. If the outcome of any such litigation or proceeding were adverse, the Company could be subject to significant liabilities to third parties, could be required to obtain licenses from third parties or could be required to cease sales of the affected products, any of which could have a material adverse effect on the Company.

VERTEX WILL CONTINUE TO HAVE SIGNIFICANT FUTURE CAPITAL NEEDS; AVAILABILITY OF ADDITIONAL FUNDING IS UNCERTAIN

The Company expects to incur substantial research and development and related supporting expenses as it designs and develops existing and future compounds and undertakes clinical trials of potential drugs resulting from such compounds. The Company also expects to incur substantial administrative and commercialization expenditures in the future and substantial expenses related to the filing, prosecution, defense and enforcement of patent and other intellectual property claims. The Company anticipates that it will finance these substantial cash needs with Agenerase royalty revenue, its existing cash reserves, together with interest earned thereon, future payments under its collaborative agreements, facilities and equipment financing and additional collaborative agreements. To the extent that funds from these sources are not sufficient to fund the Company's activities, it will be necessary to raise additional funds through public offerings or private placements of debt or equity securities or other methods of financing. Any equity financings could result in dilution to the Company's then existing stockholders. Any debt financing, if available at all, may be on terms which, among other things, restrict the Company's ability to pay dividends (although the Company does not intend to pay dividends for the foreseeable future). If adequate funds are not available, the Company may be required to curtail significantly or discontinue one or more of its research, drug discovery or development programs, including clinical trials, or attempt to obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies or products in research or development. No assurance can be given that additional financing will be available on acceptable terms, if at all.

THIRD PARTY PHARMACEUTICAL REIMBURSEMENT POLICIES MAY AFFECT PRODUCT PRICING

The success of the Company's products in the United States and other significant markets will depend, in part, upon the extent to which a consumer will be able to obtain reimbursement for the cost of such products from government health administration authorities, third-party payors and other organizations. Significant uncertainty exists as to the reimbursement status of newly approved therapeutic products. Even if a product is approved for marketing, there can be no assurance that adequate reimbursement will be available. The Company is unable to predict what additional legislation or regulation relating to the health care industry or third-party coverage and reimbursement may be enacted in the future or what effect the legislation or regulation would have on the Company's business. Failure to obtain reimbursement could have a material adverse effect on the Company.

THE COMPANY LACKS SALES AND MARKETING EXPERIENCE

The Company currently has little experience in marketing and no experience selling pharmaceutical products. The Company must either develop a marketing and sales force or enter into arrangements with third parties to market and sell any of its product candidates which are approved by the FDA. In the territories where the Company retains marketing and co-promotion rights, there can be no assurance that the Company will successfully develop its own sales and marketing experience or that it will be able to enter into marketing and sales agreements with others on acceptable terms, if at all. If the Company develops its own marketing and sales capability, it will compete with other companies that currently have experienced and well-funded marketing and sales operations. To the extent that the Company has or enters into co-promotion or other sales and marketing arrangements with other companies, any revenues to be received by the Company will be dependent on the efforts of others, and there can be no assurance that such efforts will be successful.

THERE IS A RISK OF PRODUCT LIABILITY

The Company's business will expose it to potential product liability risks that are inherent in the testing, manufacturing and marketing of pharmaceutical products. The use of the Company's products in clinical trials also exposes the Company to the possibility of product liability claims and possible adverse publicity. These risks will increase to the extent the Company's products receive regulatory approval and are commercialized. There can be no assurance that the Company will be able to maintain its existing levels of product liability insurance or be able to obtain or maintain such additional insurance as it may need in the future on acceptable terms. Nor can there be any assurance that the Company's existing insurance or any such additional insurance will provide adequate coverage against potential liabilities.

SHARE PRICE MAY FLUCTUATE BASED ON FACTORS BEYOND VERTEX'S CONTROL

Market prices for securities of companies such as Vertex are highly volatile, and the market for the securities of such companies, including the Common Stock of the Company, has from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of these particular companies. Factors such as announcements of results of clinical trials, technological innovations or new products by Vertex or its competitors, government regulatory action, public concern as to the safety of products developed by the Company or others, patent or proprietary rights developments and market conditions for pharmaceutical and biotechnology stocks, in general, could have a significant adverse effect on the future market price of the Company's common stock.

VERTEX HAS ANTI-TAKEOVER PROVISIONS THAT MAY DISCOURAGE CHANGE IN CONTROL

The Company's charter and By-law provisions and the Company's Stockholder Rights Plan may discourage certain types of transactions involving an actual or potential change in control of the Company which might be beneficial to the Company or its stockholders. The Company's charter provides for staggered terms for the members of the Board of Directors. The Company's By-laws grant the Directors a right to adjourn annual meetings of stockholders, and certain provisions of the By-laws may be amended only with an 80% stockholder vote. Pursuant to the Company's Stockholder Rights Plan, each share of Common Stock has an associated preferred share purchase right (a "Right"). The Rights will not trade separately from the Common Stock until, and are exercisable only upon, the acquisition or the potential acquisition through tender offer by a person or group of 15% or more of the outstanding Common Stock. Shares of any class or series of preferred stock may be issued by the Company in the future without stockholder approval and upon such terms as the Board of Directors may determine. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any class or series of preferred stock that may be issued in the future.

ITEM 2. PROPERTIES

The Company leases an aggregate of approximately 134,000 square feet of laboratory and office space in seven facilities at in Cambridge, Massachusetts. The leases have expiration dates ranging from December 2000 to 2009. The Company has the option to extend the lease for the Company's headquarters facility at 130 Waverly Street, Cambridge, for up to two additional terms, ending in 2015.

During 1998, Vertex opened a research and development facility in the U.K. of approximately 7,000 square feet of laboratory and office space located in Swindon under a lease expiring in August 2000. The Company has the right to terminate this lease at any time after June 1999. The Company has also leased approximately 24,000 square feet of laboratory and office

space in Milton Park under a lease expiring in 2013, with a right of early termination in 2008. Upon completion of construction of the Milton Park facility, expected by the third quarter of 1999, the Company will consolidate its U.K. business and research and development activities from Ascot and Swindon to Milton Park.

The Company believes its facilities are adequate for its current needs. The Company believes it can obtain additional space on commercially reasonable terms.

ITEM 3. LEGAL PROCEEDINGS

Chiron Corporation ("Chiron") filed suit on July 30, 1998 against the Company and Eli Lilly and Company in the United States District Court for the Northern District of California, alleging infringement by the defendants of various U.S. patents issued to Chiron. The infringement action relates to research activities by the defendants in the hepatitis C viral protease field and the alleged use of inventions claimed by Chiron in connection with that research and development. Chiron has requested damages in an unspecified amount, as well as an order permanently enjoining the defendants from unlicensed use of Chiron inventions. While the final outcome of these actions cannot be determined, the Company believes that the plaintiff's claims are without merit and intends to defend the actions vigorously.

ITEM 4. SUBMISSION OF MATTERS TO SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth quarter of the fiscal year ended December 31, 1998.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The Company's Common Stock trades on the Nasdaq National Market ("Nasdaq") under the symbol "VRTX." The following table sets forth the high, low and last sale prices of each quarter for the Common Stock as reported by Nasdaq for the periods indicated.

1997	High	Low	Close
First Quarter	$52 3/4	$37 3/4	$40 1/2
Second Quarter	49 3/4	27 5/8	38 1/4
Third Quarter	41 5/8	29 3/8	37 3/4
Fourth Quarter	38 3/8	25 1/4	33

1998	High	Low	Close
First Quarter	$40 3/8	$31 1/4	$31 15/16
Second Quarter	33 7/8	21 1/2	22 1/2
Third Quarter	27 7/8	14 1/2	23
Fourth Quarter	30	20	29 3/4

The last sale price of the Common Stock on March 12, 1999, as reported by Nasdaq, was $26.75 per share. As of March 12, 1999, there were 254 holders of record of the Common Stock (approximately 7,200 beneficial holders).

The Company has never declared or paid any cash dividends on its Common Stock and currently expects that future earnings, if any, will be retained for use in its business.

RECENT SALES OF UNREGISTERED SECURITIES

None

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data for each of the five years in the period ended December 31, 1998 are derived from the Company's Consolidated Financial Statements. This data should be read in conjunction with the Company's audited financial statements and related notes, and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	YEAR ENDED DECEMBER 31,				
	1998	1997	1996	1995	1994
	(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Consolidated Statement of Operations Data:					
Revenues:					
Collaborative and other research and development revenues	$ 29,055	$ 29,926	$ 13,341	$ 22,081	$ 19,571
Investment income	15,343	13,873	5,257	5,453	3,574
Total revenues	44,398	43,799	18,598	27,534	23,145
Costs and expenses:					
Research and development	58,668	51,624	35,212	41,512	34,761
General and administrative	18,135	11,430	7,929	7,069	5,540
License Payment	--	--	15,000	--	--
Interest	681	576	462	481	439
Total costs and expenses	77,484	63,630	58,603	49,062	40,740
Net loss	$(33,086)	$(19,831)	$(40,005)	$(21,528)	$(17,595)
Basic and diluted net loss per common share	$ (1.31)	$ (0.82)	$ (2.13)	$ (1.25)	$ (1.11)
Basic and diluted weighted average number of common shares outstanding	25,299	24,264	18,798	17,231	15,818

	DECEMBER 31,				
	1998	1997	1996	1995	1994
Consolidated Balance Sheet Data:					
Cash, cash equivalents and investments	$245,652	$279,671	$130,359	$86,978	$106,470
Total assets	266,346	295,604	143,499	98,981	116,175
Obligations under capital leases and debt, excluding current portion	7,032	5,905	5,617	4,912	4,729
Accumulated deficit	(149,861)	(116,775)	(96,944)	(56,939)	(35,411)
Total stockholders' equity	246,212	276,001	130,826	85,272	105,478

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

THIS DISCUSSION CONTAINS FORWARD-LOOKING STATEMENTS WHICH ARE SUBJECT TO CERTAIN RISKS AND UNCERTAINTIES THAT CAN CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE DESCRIBED. FACTORS THAT MAY CAUSE SUCH DIFFERENCES INCLUDE BUT ARE NOT LIMITED TO THOSE DESCRIBED IN THE SECTION ENTITLED "RISK FACTORS." READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS WHICH SPEAK ONLY AS OF THE DATE HEREOF. THE COMPANY UNDERTAKES NO OBLIGATION TO PUBLICLY UPDATE OR REVISE THESE FORWARD-LOOKING STATEMENTS TO REFLECT EVENTS OR CIRCUMSTANCES AFTER THE DATE HEREOF.

The Company is engaged in the discovery, development and commercialization of novel, small molecule pharmaceuticals for the treatment of major diseases for which there are currently limited or no effective treatments. The Company is a leader in the use of structure-based drug design, an approach to drug discovery that integrates advanced biology, biophysics, chemistry and information technologies. The Company is conducting research and development programs to develop pharmaceuticals for the treatment of viral diseases, multidrug resistance in cancer, autoimmune and inflammatory diseases and neurodegenerative disorders.

To date, the Company has not received any material revenues from the sale of pharmaceutical products. A New Drug Application ("NDA") was submitted in October 1998 for the Company's lead product, Agenerase-TM- (amprenavir) for the treatment of HIV infection. Glaxo Wellcome plc ("Glaxo Wellcome"), Vertex's partner, has also submitted applications for market approval to Canadian and European regulatory agencies. Assuming the NDA is approved, the Company will receive a royalty on sales of Agenerase from Glaxo Wellcome. The Company has incurred operating losses since its inception and expects to incur a loss in 1999. The Company believes that operating losses may continue beyond 1999, even if significant royalties are realized on Agenerase-TM- sales, because the Company is planning to make significant investments in research and development for its other potential products. The Company expects that losses will fluctuate from quarter to quarter and that such fluctuations may be substantial.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 1998 COMPARED WITH YEAR ENDED DECEMBER 31, 1997.

The Company's total revenues were $44,398,000 in 1998 as compared to $43,799,000 in 1997. In 1998, revenues consisted of $27,939,000 under the Company's collaborative agreements, $15,343,000 in investment income and $1,116,000 in government grants and other income. Collaborative revenue in 1998 included a $6,000,000 payment from Schering AG, Germany ("Schering AG") associated with the signing of a collaborative agreement for the Company's neurophilin ligand program and $4,000,000 of research funding under that agreement, a $2,000,000 milestone payment from Kissei Pharmaceutical Co., Ltd. ("Kissei") for the acceptance of VX-745 as the lead development candidate for the Company's p38 MAP kinase program, and a $3,000,000 milestone payment from Glaxo Wellcome for the NDA filing for Agenerase. Other collaborative revenue in 1998 included $3,738,000 from Kissei, $3,457,000 from Glaxo Wellcome, $5,193,000 from Eli Lilly and Company ("Lilly") and $551,000 from others. Research funding requirements under the Glaxo Wellcome agreement ended on December 31, 1998, although Glaxo Wellcome continues to have certain development funding obligations. In 1997, revenues consisted of $27,703,000 under the Company's collaborative agreements, $13,873,000 in investment income, and $2,223,000 in government grants and other income. Revenue from collaborative agreements in 1997 consisted of $3,275,000 from Glaxo Wellcome, $8,660,000 from Hoechst Marion Roussel ("HMR"), $9,810,000 from Kissei, $5,694,000 from

Lilly and $264,000 from others.

Total costs and expenses increased to $77,484,000 in 1998 from $63,630,000 in 1997. Research and development expenses increased to $58,668,000 in 1998 from $51,624,000 in 1997. The Company increased research staffing, including opening a research site in the U.K., to fully staff a higher number of discovery programs. In addition, the Company expanded its development infrastructure. General and administrative expenses increased in 1998 to $18,135,000 from $11,430,000 in 1997 primarily as a result of headcount growth to handle the administrative requirements of the Company's growing research and development operation, legal expenses associated with expansion of the Company's intellectual property position and marketing expenses associated with the anticipated launch of Agenerase and the Company's co-promotion preparations. Interest expense increased in 1998 to $681,000 from $576,000 in 1997 due to higher levels of equipment financing during 1998.

The Company recorded a net loss of $33,086,000 or $1.31 per share in 1998 compared to a net loss of $19,831,000 or $0.82 per share in 1997.

YEAR ENDED DECEMBER 31, 1997 COMPARED WITH YEAR ENDED DECEMBER 31, 1996.

The Company's total revenues increased to $43,799,000 in 1997 from $18,598,000 in 1996. In 1997, revenues consisted of $27,703,000 under the Company's collaborative agreements, $13,873,000 in investment income, and $2,223,000 in government grants and other income. The principal reasons for the increase in revenue in 1997 were the commencement of new collaborations with Lilly on the Company's hepatitis C protease program and with Kissei on the Company's p38 MAP kinase program, in addition to greater investment income from higher levels of cash and investments. The 1997 collaborations with Lilly and Kissei included payments of $3,000,000 and $4,000,000, respectively, and research funding of $2,694,000 and $1,500,000, respectively. Other collaborative revenue in 1997 included $4,310,000 from Kissei, $8,660,000 from HMR, which included a $3,000,000 milestone payment, $3,275,000 from Glaxo Wellcome, and $264,000 from others. Research funding requirements under the HMR agreement ended on December 31, 1997, although HMR continues to have certain development funding obligations. In 1996, revenues consisted of $12,013,000 under the Company's collaborative agreements, $5,257,000 in investment income and $1,328,000 in government grants and other income. Revenue from collaborative agreements consisted of $6,289,000 from Glaxo Wellcome, $4,196,000 from HMR, $692,000 from Kissei and $836,000 from others.

The Company's total costs and expenses increased to $63,630,000 in 1997 from $58,603,000 in 1996. In 1996, the Company paid $15,000,000 to obtain a non-exclusive, world-wide license under certain G.D. Searle & Co. ("Searle") patent applications claiming HIV protease inhibitors. Research and development expenses increased to $51,624,000 in 1997 from $35,212,000 in 1996 principally due to the commencement of preclinical development activities for drug candidates in the ICE and IMPDH programs as well as the continued expansion of the Company's core scientific staff. In addition, general and administrative expenses increased to $11,430,000 in 1997 from $7,929,000 in 1996. The increase in general and administrative expense principally reflects the impact of personnel additions, an increase in legal expenses related to patent activity and an increase in marketing activities. Interest expense increased to $576,000 in 1997 from $462,000 in 1996 due to higher levels of equipment lease financing during the year.

The Company recorded a net loss of $19,831,000 or $0.82 per share in 1997 compared to a net loss of $40,005,000 or $2.13 per share in 1996. The lower loss per share reflects not only a lower aggregate loss but also an increase in average common shares outstanding from 18,798,000 in 1996 to 24,264,000 in 1997 due to two Common Stock offerings in August 1996 and March 1997.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operations have been funded principally through strategic collaborative agreements, public offerings and private placements of the Company's equity securities, equipment financing, government grants and investment income. Assuming Agenerase is approved by the FDA, the Company will begin receiving product royalty revenue in 1999. The Company has been expanding its operations in order to increase and advance the number of potential products in its research and development pipeline. Consequently, the Company expects to incur increased research and development and related supporting expenses and is likely to continue experiencing losses on a quarterly and annual basis. The Company also expects to incur substantial administrative and commercialization expenditures in the future and additional expenses related to the filing, prosecution, defense and enforcement of patent and other intellectual property rights.

The Company expects to finance these substantial cash needs with expected royalty revenue from Agenerase, its existing cash and investments of approximately $246,000,000 at December 31, 1998, together with investment income earned thereon, future payments under its existing collaborative agreements, and facilities and equipment financing. To the extent that funds from these sources are not sufficient to fund the Company's activities, it will be necessary to raise additional funds through public offerings or private placements of securities, or new research collaborations for new or existing projects or other methods of financing. There can be no assurance that such financing will be available on acceptable terms, if at all.

The Company's aggregate cash and investments decreased by $34,019,000 during 1998 to $245,652,000 at December 31, 1998. Cash used by operations, principally to fund research and development activities, was $31,055,000 during the same period. The Company also expended $7,901,000 during this period to acquire property and equipment, principally for research equipment and facilities. During 1998, the Company entered into equipment financing arrangements in the aggregate amount of $4,085,000 and repaid $2,716,000 of its lease obligations.

In addition to the expansion of the research and development activities in the U.S., the Company expanded its U.K. operations to include a research site during 1998. The Company expects that, in general, research and development as well as general and administrative expenses will continue to increase as the Company starts new research projects, advances current clinical and preclinical candidates, and expands its marketing and business development activities.

During 1998, the Company and Schering AG entered into a collaborative agreement to research, develop and commercialize novel, orally active neurophilin ligand compounds to promote nerve regeneration for the treatment of a number of neurological diseases. Under the terms of the agreement, Schering AG will pay the Company up to $88,000,000 composed of a $6,000,000 license payment paid in September 1998, $22,000,000 of product research funding over five years and potentially $60,000,000 of development and commercialization milestone payments.

At December 31, 1998, the Company leased approximately 134,000 square feet of office and research space in the U.S. and 31,000 square feet in the U.K. These leases have terms ranging from 3 to 10 years. In addition, the Company's liability for capitalized equipment lease obligations and other equipment financing totaled approximately $10 million at December 31, 1998.

YEAR 2000

The Company has completed its evaluation of its business critical information technology systems ("IT Systems") and has determined the actions necessary in order to ensure that such IT Systems will be able to function without disruption with respect to the application of dating systems in the Year 2000. The Company has begun to upgrade, replace and test certain of its IT

Systems based on the results of that evaluation. Evaluation of embedded systems in the Company's non-computer equipment ("Non-IT Systems") for Year 2000 compliance is under way but has not been completed.

In addition to risks associated with the Company's own computer systems and equipment, the Company has relationships with, and is to varying degrees dependent upon, a number of third parties that provide goods, services and information to the Company. These include contract manufacturers, suppliers, licensees and licensors, vendors, research partners and financial institutions, whose systems and equipment are outside the control of the Company. If certain of these third parties experience failures in their computer systems or equipment due to Year 2000 non-compliance, it could affect the Company's ability to engage in normal business activities. The Company intends to contact its significant vendors and partners to ascertain their Year 2000 compliance and to determine the extent to which the Company is vulnerable to their non-compliance, if any.

The Company expects to complete its internal evaluation and remediation efforts and its assessment of third party compliance and contingency plans by mid-1999. However, there can be no assurance that these evaluations and any required remedial actions will be able to be completed on a timely basis. The Company believes that its IT Systems and Non-IT Systems are either already Year 2000 compliant or will be so prior to the Year 2000. The Company estimates the cost of making its IT systems and Non-IT systems Year 2000 complaint will be approximately $200,000. There can be no assurance, however, that the Company will not experience unexpected costs in achieving full Year 2000 compliance, which could result in a material adverse effect on the Company's future results of operations. The Company believes that it will be able to locate alternate sources for any critical goods or services provided by non-compliant third parties, if any. However, the Company may not be able to timely develop or implement contingency plans to address those business critical systems and third party relationships which may not be Year 2000 compliant.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company owns financial instruments that are sensitive to market risks as part of its investment portfolio. The investment portfolio is used to preserve the Company's capital until it is required to fund operations, including the Company's research and development activities. None of these market-risk sensitive instruments are held for trading purposes. The Company does not own derivative financial instruments in its investment portfolio.

INTEREST RATE RISK

The Company invests its cash in a variety of financial instruments, principally securities issued by the U.S. Government and its agencies, investment grade corporate and money market instruments. These investments are denominated in U.S. dollars. These bonds are subject to interest rate risk, and could decline in value if interest rates fluctuate. The Company's investment portfolio includes only marketable securities with active secondary or resale markets to help ensure portfolio liquidity and the Company has implemented guidelines limiting the duration of investments. Due to the conservative nature of these instruments, the Company does not believe that it has a material exposure to interest rate risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by Item 8 is contained on pages F-1 through F-18 of this Report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information regarding directors required by this Item is included in the definitive Proxy Statement for the Company's 1999 Annual Meeting of Stockholders, to be filed with the Commission on or about April 12, 1999 (the "1999 Proxy Statement"), under "Election of Directors" and is incorporated herein by reference. The information regarding executive officers required by this Item is included in Part I of this Annual Report on Form 10-K.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is included in the 1999 Proxy Statement under "Executive Compensation" and is incorporated herein by reference (excluding, however, the "Report on Executive Compensation" and the Performance Graph contained in the 1999 Proxy Statement, which shall not be deemed incorporated herein).

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is included in the 1999 Proxy Statement under "Security Ownership of Certain Beneficial Owners and Management" and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a)(1) FINANCIAL STATEMENTS. The Financial Statements required to be filed by Item 8 of this Annual Report on Form 10-K, and filed herewith, are as follows:

(a)(2) FINANCIAL STATEMENT SCHEDULES.

Financial Statement Schedules have been omitted because they are either not applicable or the required information is included in the consolidated financial statements or notes thereto.

(a)(3) EXHIBITS.

EXHIBIT NUMBER	EXHIBIT DESCRIPTION
3.1	Restated Articles of Organization filed with the Commonwealth of Massachusetts on July 31, 1991 (filed as Exhibit 3.1 to the Company's 1997 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).
3.2	Articles of Amendment filed with the Commonwealth of Massachusetts on June 4, 1997 (filed as Exhibit 3.2 to the Company's 1997 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).
3.3	Certificate of Vote of Directors Establishing a Series of a Class of Stock, as filed with the Secretary of the Commonwealth of Massachusetts on July 31, 1991 (filed as Exhibit 3.3 to the Company's 1997 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).
3.4	By-laws of the Company (filed as Exhibit 3.2 to the Company's Registration Statement on Form S-1 (Registration No. 33-43874) and incorporated herein by reference).

4.1 Specimen stock certificate (filed as Exhibit 4.1 to the Company's Registration Statement on Form S-1 (Registration No. 33-40966) or amendments thereto and incorporated herein by reference).

4.2 Stockholder Rights Plan (filed as Exhibit 4.2 to the Company's Registration Statement on Form S-1 (Registration No. 33-40966) or amendments thereto and incorporated herein by reference).

4.3 First Amendment to Rights Agreement dated as of February 21, 1997 (filed as Exhibit 4.3 to the Company's 1996 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).

10.1 1991 Stock Option Plan, as amended and restated as of May 13, 1993 (filed as Exhibit 28.1 to the Company's Registration Statement on Form S-8 (No. 33-65742) and incorporated herein by reference).*

10.2 1994 Stock and Option Plan (filed as Exhibit 10.2 to the Company's 1994 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).*

10.3 1996 Stock and Option Plan (filed as Exhibit 10.3 to the Company's 1996 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).*

10.4 Amendment to 1996 Stock and Option Plan adopted December 12, 1997 (filed as Exhibit 10.4 to the Company's 1997 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).*

10.5 Non-Competition and Stock Repurchase Agreement between the Company and Joshua Boger, dated April 20, 1989 (filed as Exhibit 10.2 to the Company's Registration Statement on Form S-1 (Registration No. 33-40966) or amendments thereto and incorporated herein by reference).*

10.6 Form of Employee Stock Purchase Agreement (filed as Exhibit 10.3 to the Company's Registration Statement on Form S-1 (Registration No. 33-40966) or amendments thereto and incorporated herein by reference).*

10.7 Form of Employee Non-Disclosure and Inventions Agreement (filed as Exhibit 10.4 to the Company's Registration Statement on Form S-1 (Registration No. 33-40966) or amendments thereto and incorporated herein by reference).

10.8 Form of Executive Employment Agreement executed by Richard H. Aldrich, Joshua S. Boger, and Vicki L. Sato (filed as Exhibit 10.6 to the Company's 1994 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).*

10.9 Form of Amendment to Employment Agreement executed by Richard H. Aldrich, Joshua S. Boger and Vicki L. Sato (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 (File No. 0-19319) and incorporated herein by reference).

10.10 Series C Convertible Preferred Stock Purchase Agreement between the Company and the party named therein, dated September 21, 1990 (filed as Exhibit 10.8 to the Company's Registration Statement on Form S-1 (Registration No. 33-40966) or amendments thereto and incorporated herein by reference).

10.11 Stock Purchase Agreement dated November 10, 1994 between the Company and Biotech Target S.A. (filed as Exhibit 10.12 to the Company's 1994 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).

10.12 Lease dated October 1, 1992 between C. Vincent Vappi and the Company relating to the premises at 40 Allston Street, 618 Putnam Street, 228 Sidney Street, and 240 Sidney Street (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1992 (File No. 0-19319) and incorporated herein by reference).

10.13 First Amendment as of March 1, 1995 to the lease between C. Vincent Vappi and the Company (filed as Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995 (File No. 0-19319) and incorporated herein by reference).

10.14 Second Amendment as of February 12, 1997 to Lease between C. Vincent Vappi and the Company (filed as Exhibit 10.14 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 0-19319) and incorporated herein by reference).

10.15 Lease dated March 1, 1993, between Fort Washington Realty Trust and the Company, relating to the premises at 625 Putnam Avenue, Cambridge, MA (filed as Exhibit 10.10 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 0-19319) and incorporated herein by reference).

10.16 First Amendment, dated 1 December 1996, to Lease between Fort Washington Realty Trust and the Company dated 1 March 1993 (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1996 (File No. 0-19319) and incorporated herein by reference).

10.17 Second Amendment, dated 1 February 1998, to Lease between Fort Washington Realty Trust and the Company dated 1 March 1993 (filed as Exhibit 10.17 to the Company's 1997 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).

10.18 Lease dated March 3, 1995, between Fort Washington Realty Trust and the Company, relating to the premises at 130 Waverly Street, Cambridge, MA (filed as Exhibit 10.15 to the Company's 1994 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).

10.19 First Amendment to Lease dated March 3, 1995 between Fort Washington Realty Trust and the Company (filed as Exhibit 10.15 to the Company's 1995 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).

10.20 Second Amendment to Lease and Option Agreement dated June 12, 1997 between Fort Washington Realty Trust and the Company (filed herewith).

10.21 Agreement for Lease of Premises at 88 Milton Park, Abingdon, Oxfordshire between Milton Park Limited and Vertex Pharmaceuticals (Europe) Limited and Vertex Pharmaceuticals Incorporated (filed herewith)

10.22 Research and Development Agreement dated April 13, 1993 between the Company and Kissei Pharmaceutical Co., Ltd. (with certain confidential information deleted) (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1993 (File No. 0-19319) and incorporated herein by reference).

10.23 Research, Development, and License Agreement dated September 8, 1993 between the Company and Roussel Uclaf (with certain confidential information deleted) (filed as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1993 (File No. 0-19319) and incorporated herein by reference).

10.24 Research Agreement and License Agreement, both dated December 16, 1993, between the Company and Burroughs Wellcome Co. (with certain confidential information deleted) (filed as Exhibit 10.16 to the Company's Annual Report on Form 10-K for the year ended December 31, 1993 (File No. 0-19319) and incorporated herein by reference).

10.25 License Agreement and Supply Agreement, both dated May 9, 1996, between the Company and BioChem Pharma (International) Inc. (with certain confidential information deleted) (filed as Exhibit 10.1 to the Company's Quarterly Report on 10-Q for the quarter ended March 31, 1996 (File No. 0-19319) and incorporated herein by reference).

10.26 Research and Development Agreement between the Company and Eli Lilly and Company effective June 11, 1997 (filed with certain confidential information deleted as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997, and incorporated herein by reference).

10.27 Research and Development Agreement between the Company and Kissei Pharmaceutical Co. Ltd. effective September 10, 1997 (filed, with certain confidential information deleted, as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997, and incorporated herein by reference).

10.28 Research Agreement between the Company and Schering AG dated as of August 24, 1998 (filed, with certain confidential information deleted, as Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998, and incorporated herein by reference).

21 Subsidiaries of the Company (filed as Exhibit 21 to the Company's 1997 Annual Report on Form 10-K (File No. 0-19319) and incorporated herein by reference).

23 Consent of Independent Accountants (filed herewith).

27 Financial Data Schedule (submitted as an exhibit only in the electronic format of this Annual Report on Form 10-K submitted to the Securities and Exchange Commission).

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* Compensatory plan or agreement applicable to management and employees.

(b) Reports on Form 8-K. No reports on Form 8-K were filed by the Company during the quarter ended December 31, 1998.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

VERTEX PHARMACEUTICALS INCORPORATED

March 29, 1999 By: /s/ Joshua S. Boger
Joshua S. Boger
President and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Joshua S. Boger Joshua S. Boger	Director, Chairman, President and Chief Executive Officer (Principal Executive Officer)	March 29, 1999
/s/ Thomas G. Auchincloss, Jr. Thomas G. Auchincloss, Jr.	Vice President of Finance and Treasurer (Principal Financial Officer)	March 29, 1999
/s/ Hans D. Van Houte Hans D. van Houte	Controller	March 29, 1999
/s/ Barry M. Bloom Barry M. Bloom	Director	March 24, 1999
/s/ Donald R. Conklin Donald R. Conklin	Director	March 29, 1999
/s/ Roger W. Brimblecombe Roger W. Brimblecombe	Director	March 26, 1999
/s/ William W. Helman IV William W. Helman IV	Director	March 29, 1999
/s/ Bruce I. Sachs Bruce I. Sachs	Director	March 29, 1999
/s/ Charles A. Sanders Charles A. Sanders	Director	March 29, 1999
/s/ Elaine S. Ullian Elaine S. Ullian	Director	March 24, 1999

EXHIBIT INDEX

10.20	Second Amendment to Lease and Option Agreement dated June 12, 1997 between Fort Washington Realty Trust and the Company (filed herewith).
10.21	Agreement for Lease of Premises at 88 Milton Park, Abingdon, Oxfordshire between Milton Park Limited and Vertex Pharmaceuticals (Europe) Limited and Vertex Pharmaceuticals Incorporated (filed herewith)
23	Consent of Independent Accountants (filed herewith).
27	Financial Data Schedule (submitted as an exhibit only in the electronic format of this Annual Report on Form 10-K submitted to the Securities and Exchange Commission).

VERTEX PHARMACEUTICALS INCORPORATED

Index to Consolidated Financial Statements

Report of Independent Accountants

To the Board of Directors and Shareholders of Vertex Pharmaceuticals Incorporated:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of operations, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Vertex Pharmaceuticals Incorporated and its subsidiaries at December 31, 1998 and 1997, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

Boston, Massachusetts
February 25, 1999

CONSOLIDATED BALANCE SHEETS
VERTEX PHARMACEUTICALS INCORPORATED

(DOLLARS IN THOUSANDS)	December 31, 1998	1997
Assets		
Current assets:		
Cash and cash equivalents	$24,169	$71,454
Investments	221,483	208,217
Prepaid expenses and other current assets	3,056	1,952
Total current assets	248,708	281,623
Restricted cash	2,316	2,316
Property and equipment, net	14,476	11,095
Other assets	846	570
Total assets	$266,346	$295,604
Liabilities and Stockholders' Equity		
Current liabilities:		
Obligations under capital lease and debt	$2,752	$2,510
Accounts payable	2,808	4,247
Accrued expenses	7,542	6,385
Deferred revenue	--	556
Total current liabilities	13,102	13,698
Obligations under capital lease and debt, excluding current portion	7,032	5,905
Total liabilities	20,134	19,603
Commitments (Note G)		
Stockholders' equity:		
Preferred stock, $.01 par value; 1,000,000 shares authorized; none issued		
Common stock, $.01 par value; 100,000,000 shares authorized; 25,358,559 and 25,215,617 shares issued and outstanding in 1998 and 1997, respectively	254	252
Additional paid-in capital	395,165	392,372
Accumulated other comprehensive income (loss)	654	152
Accumulated deficit	(149,861)	(116,775)
Total stockholders' equity	246,212	276,001
Total liabilities and stockholders' equity	$266,346	$295,604

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

CONSOLIDATED STATEMENTS OF OPERATIONS
VERTEX PHARMACEUTICALS INCORPORATED

(In thousands, except per share data)	Year Ended December 31, 1998	1997	1996
Revenues:			
Collaborative and other research and development	$29,055	$29,926	$ 13,341
Investment income	15,343	13,873	5,257
Total revenues	44,398	43,799	18,598
Costs and expenses:			
Research and development	58,668	51,624	35,212
General and administrative	18,135	11,430	7,929
License payment	--	--	15,000
Interest	681	576	462
Total costs and expenses	77,484	63,630	58,603
Net loss	$(33,086)	$(19,831)	$(40,005)
Basic and diluted loss per common share	$(1.31)	$(0.82)	$(2.13)
Basic and diluted weighted average number of common shares outstanding	25,299	24,264	18,798

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

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
VERTEX PHARMACEUTICALS INCORPORATED

(In thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive income (loss)	Comprehensive income (loss)	Total Stockholders' Equity
Balance, December 31, 1995	17,299	$173	$142,038	$(56,939)			$85,272
Net change in unrealized holding gains/ losses on investments					$35	$ 35	35
Translation adjustments					14	14	14
Net loss				(40,005)		(40,005)	(40,005)
Comprehensive loss						(39,956)	
Issuances of common stock:							
Public offering of common stock	3,450	34	77,481				77,515
Private placement of common stock	152	2	4,998				5,000
Benefit plans	196	2	2,993				2,995
Balance, December 31, 1996	21,097	211	227,510	(96,944)	49		130,826
Net change in unrealized holding gains/ losses on investments					115	115	115
Translation adjustments					(12)	(12)	(12)
Net loss				(19,831)		(19,831)	(19,831)
Comprehensive loss						(19,728)	
Issuances of common stock:							
Public offering of common stock	3,450	34	148,776				148,810
Private placement of common stock	264	3	9,997				10,000
Benefit plans	405	4	6,089				6,093
Balance, December 31, 1997	25,216	252	392,372	(116,775)	152		276,001
Net change in unrealized holding gains/ losses on investments					502	502	502
Translation adjustments					--	--	--
Net loss				(33,086)		(33,086)	(33,086)
Comprehensive loss						$(32,584)	
Issuances of common stock:							
Benefit plans	143	2	2,793				2,795
Balance, December 31, 1998	25,359	$254	$395,165	$(149,861)	$ 654		$246,212

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

CONSOLIDATED STATEMENTS OF CASH FLOWS
VERTEX PHARMACEUTICALS INCORPORATED

(In thousands)	Year Ended December 31, 1998	1997	1996
Cash flows from operating activities:			
Net loss	$ (33,086)	$ (19,831)	$(40,005)
Adjustment to reconcile net loss to net cash used by operating activities:			
Depreciation and amortization	4,520	3,588	3,160
Realized gains/losses on available for sale securities	(547)	--	--
Changes in assets and liabilities:			
Prepaid expenses and other current assets	(1,104)	(161)	(832)
Accounts payable	(1,439)	2,856	(1,631)
Accrued expenses	1,157	3,630	(748)
Deferred revenue	(556)	556	(197)
Net cash provided (used) by operating activities	(31,055)	(9,362)	(40,253)
Cash flows from investing activities:			
Purchases of investments	(507,540)	(303,599)	(73,035)
Sales and maturities of investments	495,323	191,005	36,150
Expenditures for property and equipment	(7,901)	(6,020)	(3,983)
Other assets	(276)	(200)	518
Net cash provided (used) by investing activities	(20,394)	(118,814)	(40,350)
Cash flows from financing activities:			
Repayment of capital lease obligations and debt	(2,716)	(3,104)	(2,187)
Proceeds from equipment sale/leaseback	--	1,179	3,727
Proceeds from debt	4,085	1,813	--
Proceeds from public offerings of common stock	--	148,810	77,515
Proceeds from private placement of common stock	--	10,000	5,000
Proceeds from other issuances of capital stock	2,795	6,093	2,995
Net cash provided (used) by financing activities	4,164	164,791	87,050
Effect of exchange rates on cash	--	(12)	14
Increase (decrease) in cash and cash equivalents	(47,285)	36,603	6,461
Cash and cash equivalents at beginning of year	71,454	34,851	28,390
Cash and cash equivalents at end of year	$ 24,169	$ 71,454	$ 34,851

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

VERTEX PHARMACEUTICALS INCORPORATED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A. THE COMPANY

Vertex Pharmaceuticals Incorporated ("Vertex" or the "Company") uses a range of drug discovery technologies to identify, design and develop novel, orally deliverable compounds that have the potential to treat major human diseases. As of December 31, 1998, the Company has not received any material revenues from the sale of pharmaceutical products. The Company's revenues during 1998, 1997 and 1996 principally resulted from research support payments from corporate partners and investment income. The Company expects to incur an operating loss in 1999 and potentially beyond 1999, as a result of expenditures for its research and development programs.

The consolidated financial statements include the accounts of the Company and the following subsidiaries: Altus Biologics Inc. ("Altus"), Vertex Securities Corp. and Vertex Pharmaceuticals (Europe) Limited. All material intercompany transactions are eliminated. Minority interests are carried at cost.

The Company is subject to risks common to companies in the biotechnology industry including, but not limited to, rapid technological change and competition, dependence on key personnel, uncertainty of protection of proprietary technology, clinical trial uncertainty, dependence on collaborative partners, share price volatility, the possible need to obtain additional funding, uncertainties relating to pharmaceutical pricing and reimbursement, limited experience in manufacturing and sales and marketing, potential product liability and the need for compliance with government regulations.

B. ACCOUNTING POLICIES

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

CASH AND CASH EQUIVALENTS

Cash equivalents, which are money market funds and debt securities, are valued at cost plus accrued interest. The Company considers all highly liquid investments with original maturities of three months or less at the date of purchase to be cash equivalents. Changes in cash and cash equivalents may be affected by shifts in investment portfolio maturities as well as by actual cash receipts and disbursements. Financial instruments which potentially subject the Company to concentration of credit risk consist principally of money market funds and marketable securities. The Company places these investments in highly rated financial institutions, and, by policy, limits the amounts of credit exposure to any one financial institution. These amounts at times may exceed federally insured limits. The Company has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on these funds.

INVESTMENTS

Investments consist of marketable securities which are classified as available for sale. Investments are stated at fair value with unrealized gains and losses included as a component of accumulated

other comprehensive income (loss) until realized. The fair value of these securities is based on quoted market prices. Realized gains and losses are determined on the specific identification method and are included in investment income.

PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over the lesser of the lease terms or the estimated useful lives of the related assets, generally four or five years for equipment and furniture and three years for purchased software. Leasehold improvements are amortized over the life of leases. When assets are retired or otherwise disposed of, the assets and related allowances for depreciation and amortization are eliminated from the accounts and any resulting gain or loss is reflected in income (loss).

REVENUE RECOGNITION

Revenue under research and development arrangements is recognized as earned under the terms of the respective agreements. License payments are recorded as revenue when contractual obligations have been met. Product research funding is recorded as revenue, generally on a quarterly basis, as research effort is incurred. Deferred revenue arises from payments received which have not yet been earned under research and development arrangements. The Company recognizes milestone payments when the milestones are achieved.

RESEARCH AND DEVELOPMENT

All research and development costs are expensed as incurred.

INCOME TAXES

Deferred tax assets and liabilities are recognized for the expected future tax consequences, using current tax rates, of temporary differences between the financial statement carrying amounts and the income tax bases of assets and liabilities. A valuation allowance is applied against any net deferred tax asset if, based on the weighted available evidence, it is more likely than not that some or all of the deferred tax assets will not be realized.

BASIC AND DILUTED LOSS PER COMMON SHARE

Basic earnings per share is based upon the weighted average number of common shares outstanding during the period. Diluted earnings per 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 not anti-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. Common equivalent shares have not been included in the per-share calculations as the effect would be anti-dilutive. Potential common equivalent shares consist of 5,837,000 stock options outstanding with a weighted average exercise price of $22.62 as of December 31, 1998.

SEGMENT INFORMATION

The Company is in one business segment, the business of discovery, development and commercialization of novel, small molecule pharmaceuticals. The Company follows the requirements of FAS 131 "Disclosures about Segments of an Enterprise and Related Information."

C. INVESTMENTS

Investments consist of the following at December 31 (in thousands):

	1998		1997	
	Cost	Fair Value	Cost	Fair Value
Cash and cash equivalents				
Cash and money market funds	$20,888	$20,888	$43,072	$43,072
Corporate debt securities	3,281	3,281	28,382	28,382
Total cash and cash equivalents	$24,169	$24,169	$71,454	$71,454
Investments				
US Government securities				
Due within 1 year	$18,383	$18,363	$4,719	$4,713
Due within 1 to 5 years	28,734	28,834	40,167	40,200
Due over 5 years	3,048	3,037	---	---
Corporate debt securities				
Due within 1 year	21,684	21,638	71,136	71,165
Due within 1 to 5 years	133,039	133,665	69,771	69,851
Due over 5 years	15,945	15,946	22,276	22,288
Total Investments	$220,833	$221,483	$208,069	$208,217

Gross unrealized holding gains and losses at December 31, 1998 were $911,000 and $261,000, respectively, and at December 31, 1997 were $184,000 and $36,000, respectively. Gross realized gains and losses for 1998 were $852,000 and $305,000, respectively. The effect of gross realized gains and losses on the financial statements for the years 1997 and 1996 was immaterial. Maturities stated are final maturities, the effective maturities for certain securities may be shorter in duration.

D. RESTRICTED CASH

In accordance with an operating lease agreement, the Company holds in deposit approximately $2,316,000 with its bank to collateralize a conditional, stand-by letter of credit in the name of the landlord. The letter of credit is redeemable only if the Company defaults on the lease under specific criteria. These funds are restricted from the Company's use during the lease period, although the Company is entitled to all interest earned on the funds.

E. PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31 (in thousands):

	1998	1997
Leasehold improvements	$7,804	$6,983
Furniture and equipment	11,070	4,511
Software	3,276	2,823
Equipment under capital lease	20,471	20,403
	42,621	34,720
Less accumulated depreciation and amortization	28,145	23,625
	$14,476	$11,095

The net book value of equipment under capital lease was $3,687,000 and $5,811,000 at December 31, 1998 and 1997, respectively.

F. ACCRUED EXPENSES

Accrued expenses consist of the following at December 31 (in thousands):

	1998	1997
Professional fees	$2,134	$1,192
Development contract costs	2,391	2,663
Payroll and benefits	1,239	1,145
Other	1,778	1,385
	$7,542	$6,385

G. COMMITMENTS, CAPITAL LEASES AND DEBT OBLIGATIONS

CAPITAL LEASES AND DEBT OBLIGATIONS

At December 31, 1998, long-term capital lease and debt obligations were due as follows (in thousands):

Year ended December 31,	Capital leases	Debt	Total
1999	$ 2,065	$ 947	$ 3,012
2000	1,478	1,027	2,505
2001	1,315	1,114	2,429
2002	89	1,351	1,440
2003	--	873	873
Total	4,947	5,312	10,259
Less amount representing interest payments	475	--	475
Present value of minimum lease and debt payments	4,472	5,312	9,784
Less current portion	1,805	947	2,752
	$ 2,667	$ 4,365	$ 7,032

During 1997 and 1996, the Company financed under capital lease arrangements an aggregate of $1,179,000 and $3,727,000, respectively, of asset cost under its master lease agreements. At the end of the lease term, the Company has the right to either return the equipment to the lessor or purchase the equipment for fair market value at that time. These agreements have a term of five years and require that the Company maintain a certain level of cash and investments.

During 1998, the Company financed under a master debt agreement, assets with a cost of $1,574,000, $1,506,000 and $1,005,000 with interest rates of 7.89%, 8.06% and 8.08%, respectively. During 1997, the Company financed under a master debt agreement, assets with a cost of $676,000 and $1,137,000 with interest rates of 8.59% and 8.38%, respectively. The Company has certain equipment with a net book value of $4,945,000, designated as collateral under these agreements. These agreements have a term of five years, and require that the Company maintain a certain level of cash and investments. The carrying value of these debt obligations approximates fair value.

Interest paid under capital leases and debt was $681,000, $576,000 and $462,000 in 1998, 1997 and 1996, respectively.

COMMITMENTS

The Company leases its facilities and certain equipment under operating leases. The Company's leases have terms through the year 2009. Noncancelable future minimum payments are as follows:

$5,507,000 in 1999, $5,612,000 in 2000, $4,744,000 in 2001, $4,408,000 in 2002, $4,408,000 in 2003 and $15,813,000 thereafter. Rental expense was $4,358,000, $3,363,000 and $3,063,000 in 1998, 1997 and 1996, respectively.

The Company has certain license and maintenance contracts that contain future, committed payments for the support and upgrade of specific software programs currently used in research. For the years 1999, 2000 and 2001 the amounts committed under these contracts are $314,000, $343,000 and $376,000, respectively.

H. INCOME TAXES

The Company's federal statutory income tax rate for 1998, 1997 and 1996 was 34%. The Company recorded no income tax benefit for 1998, 1997 and 1996 and recorded a full valuation allowance against net operating losses due to uncertainties related to realizability of these tax assets.

Deferred tax liabilities and assets are determined based on the difference between financial statement and tax bases using enacted tax rates in effect for the year in which the differences are expected to reverse. The components of the deferred taxes at December 31, were as follows (in thousands):

	1998	1997
Net operating loss	$ 57,295	$ 38,434
Tax credits carryforward	10,958	5,829
Property, plant and equipment	1,345	1,211
Other	572	468
Gross deferred tax asset	70,170	45,942
Valuation allowance	(70,170)	(45,942)
Net deferred tax balance	$ --	$ --

For federal income tax purposes, as of December 31, 1998, the Company has net operating loss carryforwards of approximately $143,238,000 and $7,624,000 of tax credits, which may be used to offset future income. These net operating loss carryforwards expire beginning in 2005, and the tax credit carryforwards begin to expire in 2004. Approximately $22,935,000 of the net operating loss carryforwards and $245,000 of the tax credit carryforwards belong to Altus and can only be used to offset future income of Altus. A valuation allowance has been established for the full amount of the deferred tax asset since it is more likely than not that the deferred tax asset will not be realized.

The amount of tax credits and net operating loss carryforwards that the Company may utilize in any one year is limited in accordance with Internal Revenue Code ss.382. This limitation arises whenever a cumulative change in ownership in excess of 50% occurs. A change of ownership has occurred which will limit the amount of net operating loss and tax credits available prior to the change. There may also be further changes of ownership subsequent to 1998 which may also limit the amount of net operating loss and tax credit utilization in a subsequent year.

I. COMMON AND PREFERRED STOCK

COMMON STOCK

In June 1997, Eli Lilly and Company ("Lilly") purchased 263,922 shares of the Company's common stock for $10,000,000. In March 1997, the Company completed a public offering of 3,450,000 shares of its common stock at a price of $45.50 per share with net proceeds to the Company of approximately $148,810,000. In August 1996, the Company completed a public offering of 3,450,000 shares of its Common Stock at a price of $24 per share with net proceeds to the Company of approximately $77,515,000. In June 1996, Glaxo Wellcome purchased 151,792 shares of the Company's Common Stock for approximately $5,000,000.

During 1997, the Company increased the authorized number of shares of Common Stock by 50,000,000 shares to 100,000,000 shares. At December 31, 1998, 7,862,000 shares of the Company's Common Stock were reserved for exercise of Common Stock options granted or to be granted under its 1991 Stock Option Plan, 1994 Stock and Option Plan, and 1996 Stock and Option Plan, 48,000 shares were reserved for exercise of certain other options granted in 1991, 88,000 shares of Common Stock were reserved for issuance under the Company's 401(k) Plan, and 76,000 shares of Common Stock were reserved for issuance under the Company's Employee Stock Purchase Plan.

STOCK OPTION PLANS

The Company applies APB Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. However, pro forma disclosures as if the Company adopted the cost recognition requirements under FASB Statement No. 123 "Accounting for Stock-Based Compensation" ("SFAS 123") in 1998, 1997 and 1996 are presented below. Compensation expense of $91,000 and $66,000 was recognized during 1998 and 1997, respectively. No compensation expense was recognized for these plans in 1996.

The Company has the 1991 Stock Option Plan (the "1991 Plan") and 1994 Stock and Option Plan (the "1994 Plan") and 1996 Stock and Option Plan (the "1996 Plan"). Under the 1994 Plan and the 1996 Plan, stock rights, which are either (i) incentive stock options when Internal Revenue Code requirements are met, (ii) non-qualified stock options ("NQSOs"), or (iii) award shares of Common Stock or the opportunity to make a direct purchase of shares of Common Stock ("Stock Awards"), may be granted to employees (including officers and directors who are employees), consultants, advisors and non-employee directors (NQSOs and stock awards only). Incentive stock options granted under the Plans may not be granted at a price less than the fair market value of the Common Stock on the date of grant. Non-qualified stock options may be granted at an exercise price established by the Compensation Committee of the Board of Directors, which may be less than, equal to or greater than the fair value of the Common Stock on the date of grant. Vesting periods, generally four or five years, are determined by the Compensation Committee. Incentive stock options granted under the Plans must expire not more than ten years from the date of grant. At December 31, 1998, the Company had 2,074,000 shares of common stock available for future grant under its stock option plans.

Stock option activity for the years ended December 31, 1998, 1997 and 1996 is as follows (shares in thousands):

	1998		1997		1996	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Outstanding at beginning of year	4,702	$22.03	4,033	$18.98	3,196	$14.63
Granted	1,341	$24.57	1,257	$29.78	1,056	$31.11
Exercised	(78)	$14.89	(375)	$13.97	(139)	$12.96
Canceled	(128)	$25.90	(213)	$23.99	(80)	$16.11
Outstanding at end of year	5,837	$22.62	4,702	$22.03	4,033	$18.98
Options exercisable at year-end	2,758	$18.76	1,944	$16.50	1,625	$13.92
Weighted average fair value of options granted during the year	$11.68		$13.94		$15.04	

The fair value of each option granted during 1998, 1997 and 1996 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: (1) expected life of 5.11 years for the 1998 grants, 5.18 years for the 1997 grants and 5.41 years for the 1996 grants (2) expected volatility of 46.5% for the 1998 grants, 44.7% for the 1997 grants and 42% for the 1996 grants (3) risk-free interest rate of 4.86% for the 1998 grants, 5.5% for the 1997 grants and 6.30% for the 1996 grants and (4) no dividend yield.

The following table summarizes information about stock options outstanding and exercisable at December 31, 1998 (shares in thousands):

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
$6.48 - $15.00	1,152	4.94	$11.88	1,021	$11.82
$15.13 - $19.00	1,273	6.08	$17.43	984	$17.03
$19.87 - $27.25	1,219	9.68	$24.03	63	$22.54
$27.34 - $30.50	982	8.92	$27.48	231	$27.62
$33.19 - $49.13	1,211	8.17	$32.94	459	$32.97
$ 6.48 - $49.13	5,837	7.52	$22.62	2,758	$18.76

EMPLOYEE STOCK PURCHASE PLAN

Under the Company's Employee Stock Purchase Plan, substantially all permanent employees may, through payroll withholdings, purchase shares of the Company's Common Stock at a price of 85% of the lesser of fair market value at the beginning or end of each six-month withholding period. During 1998, 38,170 shares of Common Stock at a price of $22.66 per share were issued to employees under the plan. During 1997, 26,213 shares were issued at an average price of $28.00 per share. During 1996, 32,296 shares of Common Stock at an average price of $19.21 per share were issued to employees under the plan. Had the Company adopted SFAS 123, the weighted average fair value of each purchase right granted during 1998, 1997 and 1996 would have been $7.65, $9.16 and $5.76, respectively. The fair value was estimated at the beginning of the withholding period using the Black-Scholes option-pricing model with the following weighted average assumptions: (1) expected life of one half year for all years (2) expected volatility of 52%, 51% and 41% for 1998, 1997 and 1996, respectively (3) risk-free interest rate of 4.70% for 1998, 5.43% for 1997 and 5.50% for 1996 and (4) no dividend yield.

PRO FORMA DISCLOSURES

Had compensation cost for the Company's 1998, 1997 and 1996 grants for stock-based compensation plans been determined consistent with SFAS 123, the Company's net loss and net loss per share for 1998, 1997 and 1996 would approximate the pro forma amounts below (in thousands except per share data):

		1998	1997	1996
Net loss	As reported	$(33,086)	$(19,831)	$(40,005)
	Pro forma	$(41,542)	$(25,154)	$(42,025)
Basic and diluted loss per share	As reported	$ (1.31)	$(0.82)	$(2.13)
	Pro forma	$ (1.64)	$(1.04)	$(2.24)

The effects of applying SFAS 123 in this pro forma disclosure are not indicative of future amounts since SFAS 123 does not apply to awards prior to 1995 and additional awards in future years are anticipated.

RIGHTS

Each holder of a share of outstanding Common Stock also holds one share purchase right (a "Right") for each share of Common Stock. Each Right entitles the holder to purchase from the Company one one-hundredth of a share of Series A junior participating preferred stock, $.01 par value (the "Junior Preferred Shares"), of the Company at a price of $270 per one one-hundredth of a Junior Preferred Share (the "Purchase Price"). The Rights are not exercisable until the earlier of acquisition by a person or group of 15% or more of the outstanding Common Stock (an "Acquiring Person") or the announcement of an intention to make or commencement of a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of the outstanding Common Stock. In the event that any person or group becomes an Acquiring Person, each holder of a Right other than the Acquiring Person will thereafter have the right to receive upon exercise that number of shares of Common Stock having a market value of two times the Purchase Price and, in the event that the Company is acquired in a business combination transaction or 50% or more of its assets are sold, each holder of a Right will thereafter have the right to receive upon exercise that number of shares of Common Stock of the acquiring company which at the time of the transaction will have a market value of two times the Purchase Price. Under certain specified circumstances, the Board of Directors of the

Company may cause the Rights (other than Rights owned by such person or group) to be exchanged, in whole or in part, for Common Stock or Junior Preferred Shares, at an exchange rate of one share of Common Stock per Right or one one-hundredth of a Junior Preferred Share per Right. At any time prior to the acquisition by a person or group of beneficial ownership of 15% or more of the outstanding Common Stock, the Board of Directors of the Company may redeem the Rights in whole at a price of $.01 per Right.

J. COLLABORATIVE RESEARCH AND DEVELOPMENT AGREEMENTS

The Company and Schering AG, Germany ("Schering AG") are collaborating on the research, development and commercialization of novel, orally active neurophilin ligand compounds to promote nerve regeneration for the treatment of a number of neurological diseases. Under the terms of the agreement, Schering AG agreed to pay the Company up to $88,000,000 composed of a $6,000,000 license payment paid in September 1998, $22,000,000 of product research funding over five years and $60,000,000 of development and commercialization milestone payments. From the inception of the agreement in August 1998 through December 31, 1998, $10,000,000 has been recognized as revenue. Under terms of the agreement, Vertex and Schering AG will have an equal role in management of neurophilin ligand research and product development. In North America, Vertex will have manufacturing rights, and Vertex and Schering AG will share equally in the marketing expenses and profits from commercialized compounds. In addition to having manufacturing rights in North America, the Company retains the option to manufacture bulk drug substance for sales and marketing in territories outside Europe, the Middle East and Africa. Schering AG will have the right to manufacture and market any commercialized compounds in Europe, the Middle East and Africa, and pay Vertex a royalty on product sales, if any. After December 2000, Schering AG has the right to terminate without cause upon a six months' written notice. Revenues earned from Schering AG under the neurophilin ligand agreement were $10,000,000 in 1998.

The Company and Kissei Pharmaceutical Co., Ltd. ("Kissei") are collaborating to design inhibitors of p38 MAP kinase and to develop them as novel, orally active drugs for the treatment of inflammatory and neurological diseases. Under the terms of the agreement, Kissei agreed to pay the Company up to $22,000,000 composed of a $4,000,000 license payment, $11,000,000 of product research funding over three years and $7,000,000 of development and commercialization milestone payments. From the inception of the agreement in September 1997 through December 31, 1998, $11,000,000 has been recognized as revenue. Kissei will have the right to develop and commercialize these compounds in its licensed territories. Kissei has exclusive rights to p38 MAP kinase compounds in Japan and certain Southeast Asian countries and semi-exclusive rights in China, Taiwan and South Korea. The Company retains exclusive marketing rights in the United States, Canada, Europe and the rest of the world. In addition, the Company will have the right to supply bulk drug material to Kissei for sale in its territory and will receive royalties and drug supply payments on future product sales, if any. Kissei has the right to terminate the agreement without cause upon six months' notice. Revenues earned from Kissei under the p38 MAP kinase agreement were $5,521,000 and $5,500,000 in 1998 and 1997, respectively.

The Company and Lilly are collaborating on designing inhibitors of the hepatitis C protease enzyme and developing them as novel drugs to treat hepatitis C infection. Under the terms of the agreement, Lilly agreed to pay the Company up to $51,000,000 composed of a $3,000,000 payment paid in June 1997, $33,000,000 of product research funding over six years and $15,000,000 of development and commercialization milestone payments. From the inception of the agreement in June 1997 through December 31, 1998, $10,829,000 has been recognized as revenue. The Company has the option to supply 100 percent of Lilly's commercial drug substance supply needs. The Company will receive royalties on future product sales, if any. If the Company exercises its commercial supply option, the Company will receive drug supply payments in addition to royalties on future product sales, if any. Lilly has the right to terminate the agreement

without cause upon six months' notice after June 1999. In connection with this collaboration, Lilly purchased 263,922 shares of the Company's common stock for $10,000,000. Revenues earned from Lilly were $5,193,000 and $5,694,000 in 1998 and 1997, respectively.

The Company and BioChem Pharma ("BioChem") are collaborating on the development and commercialization in Canada of Incel-TM- (VX-710), Vertex's lead multidrug resistance reversal agent. Under the development agreement, BioChem agreed to pay Vertex up to $4,000,000 comprised of an initial licensing fee of $500,000 and development and commercialization milestones payments. From the inception of the agreement in May 1996 through the year ended December 31, 1998, $750,000 has been recognized as license and research revenue. BioChem has agreed to fund certain development activities for Incel in Canada, including Phase II clinical trials in two different cancer indications which are currently underway. Vertex has agreed to supply BioChem's clinical and commercial drug supply needs. BioChem has agreed to pay Vertex a portion of its net sales, which will cover Vertex's cost of supplying material and will provide a profit to Vertex. BioChem has the right to terminate the agreement without cause upon six months' notice. Termination will relieve BioChem of any further payment obligations and will end any license granted to BioChem by Vertex under the agreement. Revenues earned from BioChem were $56,000, $251,000 and $577,000 in 1998, 1997 and 1996, respectively.

The Company and Glaxo Wellcome are collaborating on the development and commercialization of compounds in connection with the Company's HIV Program. Under the collaborative agreement, Glaxo Wellcome agreed to pay the Company up to $42,000,000 comprised of a $15,000,000 initial license payment paid in 1993, $14,000,000 of product research funding over five years and $13,000,000 of development and commercialization milestone payments. From the inception of the agreement in December 1993 through the year ended December 31, 1998, $34,000,000 has been recognized as revenue. Research funding under this agreement ended on December 31, 1998. Glaxo Wellcome is also obligated to pay to the Company additional development and commercialization milestone payments for subsequent drug candidates. In addition, Glaxo Wellcome agreed to bear all costs of development in its territory of drug candidates under the collaboration. Under the agreement, Glaxo Wellcome is also required to pay Vertex a royalty on sales, if any. Glaxo Wellcome has the right to terminate the license arrangements without cause upon twelve months' notice given at any time. Termination by Glaxo Wellcome of the license arrangements under the agreement will relieve it of its obligation to make further commercialization and development milestone and royalty payments and will end any license granted to Glaxo Wellcome by Vertex thereunder. Revenues earned from Glaxo Wellcome were $6,457,000, $3,275,000 and $6,289,000 for 1998, 1997 and 1996, respectively.

In June 1996, the Company and Glaxo Wellcome obtained a worldwide, non-exclusive license under certain G.D. Searle & Co. ("Searle") patent applications in the area of HIV protease inhibition. Vertex paid $15,000,000 and Glaxo Wellcome paid $10,000,000 to Searle for the license. The Company also agreed to pay Searle a royalty on sales of Agenerase (amprenavir), if any.

The Company and Hoechst Marion Roussel ("HMR") are collaborating on the development of interleukin-1 beta converting enzyme inhibitor. Under the collaborative agreement, HMR agreed to pay the Company up to $30,500,000, comprised of $18,500,000 of product research funding over five years and $12,000,000 of development and commercialization milestone payments. From the inception of the agreement in September 1993 through the year ended December 31, 1998, $21,500,000 has been recognized as revenue. Revenues earned under the HMR agreement were $460,000, $8,660,000 and $4,196,000 in 1998, 1997 and 1996, respectively. Research funding under this agreement ended on December 31, 1997.

The Company and Kissei are collaborating on the development and commercialization of amprenavir, the drug candidate from the Company's HIV Program. Under the collaborative

agreement, Kissei agreed to pay the Company up to $20,000,000, comprised of $9,800,000 of product research funding through 1995, $7,000,000 of development milestone and territory option payments and a $3,200,000 equity investment. From the inception of the agreement in April 1993 through the year ended December 31, 1998, $14,642,000 has been recognized as revenue. During 1997, the Company also received $4,000,000 related to reimbursements of certain development costs. Under the collaboration, Kissei is also required to pay Vertex a royalty on sales, if any. Revenues earned under this Kissei agreement were $217,000, $4,310,000 and $692,000 in 1998, 1997 and 1996, respectively. Research funding under this agreement ended on December 31, 1995.

K. EMPLOYEE BENEFITS

The Company has a 401(k) retirement plan in which substantially all of its permanent employees are eligible to participate. Participants may contribute up to 15% of their annual compensation to the plan, subject to statutory limitations. For 1998, the Company declared discretionary matching contributions to the plan in the aggregate amount of $672,000, payable in the form of shares of the Company's Common Stock. Of these shares, 19,419 were issued as of December 31, 1998 with the remaining 7,195 issuable in 1999. For 1997, the Company declared discretionary matching contributions to the plan in the aggregate amount of $482,000, payable in the form of shares of the Company's Common Stock. Of these shares, 6,458 were issued as of December 31, 1997 with the remaining 7,113 issued in 1998. For 1996, the Company declared discretionary matching contributions to the plan in the aggregate amount of $426,000, payable in the form of shares of the Company's Common Stock. Of these shares, 7,013 were issued as of December 31, 1996 with the remaining 5,278 issued in 1997.

L. RELATED PARTY

A sibling of the Company's President is a partner in the law firm representing the Company to which $333,000, $394,000 and $472,000 in legal fees were paid in 1998, 1997 and 1996, respectively.

M. LEGAL PROCEEDINGS

Chiron Corporation ("Chiron") filed suit on July 30, 1998 against the Company and Lilly in the United States District Court for the Northern District of California, alleging infringement by the defendants of various U.S. patents issued to Chiron. The infringement action relates to research activities by the defendants in the hepatitis C viral protease field and the alleged use of inventions claimed by Chiron in connection with that research and development. Chiron has requested damages in an unspecified amount, as well as an order permanently enjoining the defendants from unlicensed use of Chiron inventions. While the final outcome of these actions cannot be determined, the Company believes that the plaintiff's claims are without merit and intends to defend the actions vigorously.

N. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The Company has adopted SFAS No. 130, "Reporting Comprehensive Income," which requires that all components of comprehensive income and total comprehensive income be reported and that changes be shown in a financial statement displayed with the same prominence as other financial statements. The Company has disclosed this information in its statement of stockholders' equity and consists of the following (in thousands):

	Cumulative Translation Adjustment	Unrealized gain/(loss) on investments	Accumulated Other comprehensive income (loss)
Balance as of December 31, 1996	$ 16	$ 33	$ 49
Foreign currency translation adjustment	(12)	--	(12)
Unrealized holding gains arising during the period	--	115	115
Balance as of December 31, 1997	4	148	152
Foreign currency translation adjustment	--	--	--
Unrealized gains/(losses) on securities:			
Unrealized holding gains arising during the period	--	1,049	1,049
Less: reclassification adjustment for gains Included in net loss		(547)	(547)
Balance as of December 31, 1998	$ 4	$ 650	$ 654

O. SUBSEQUENT EVENTS

ALTUS BIOLOGICS, INC.

Altus develops, manufactures and markets products based on a novel and proprietary technology for stabilizing proteins. At December 31, 1998, Vertex owned approximately 70% of the capital stock of Altus. On February 5, 1999, Vertex restructured its investment in Altus. As part of the transaction, Vertex provided Altus $3,000,000 of cash and surrendered its shares of Altus preferred stock in exchange for two new classes of preferred stock and warrants. The new preferred stock provides Vertex with a minority equity ownership position in Altus, and the warrants become exercisable upon certain events. As a result of the transaction, Altus operates independently from Vertex as a minority-owned subsidiary. In addition, Vertex has retained a non-exclusive royalty-free right to use Altus' technology for discovering, developing and manufacturing small molecule drugs.

P. QUARTERLY FINANCIAL DATA (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total Year
1998					
Total revenues	$ 7,169	$ 7,152	$ 18,417	$ 11,660	$ 44,398
Total expenses	15,583	16,954	20,690	24,257	77,484
Net loss	(8,414)	(9,802)	(2,273)	(12,597)	(33,086)
Basic and diluted earnings per share	(0.33)	(0.39)	(0.09)	(0.50)	(1.31)
1997					
Total revenues	$ 6,918	$ 12,155	$ 13,547	$ 11,179	$ 43,799
Total expenses	12,684	13,567	19,403	17,976	63,630
Net loss	(5,766)	(1,412)	(5,856)	(6,797)	(19,831)
Basic and diluted earnings per share	(0.26)	(0.06)	(0.23)	(0.27)	(0.82)

SECOND AMENDMENT TO LEASE

This SECOND AMENDMENT TO LEASE is made by and between David E. Clem and David M. Roby, Trustees of Fort Washington Realty Trust under Declaration of Trust dated June 19, 1995 and recorded with the Middlesex County (South District) Registry of Deeds in Book 25422, Page 360 (the "Landlord") and Vertex Pharmaceuticals Incorporated (the "Tenant").

Reference is hereby made to that certain lease (the "Lease") dated March 3, 1995, by and between Landlord's predecessor, Fort Washington Limited Partnership and Tenant with respect to a portion of the property (the "Premises") located at 40 Erie Street, Cambridge, Massachusetts, (the "Building") as more particularly described in the Lease as amended by a First Amendment to Lease (the "First Amendment").

WHEREAS, the Tenant has requested, and the Landlord has agreed, to further amend the Lease to add additional space to the Premises upon the terms and conditions set forth in this Second Amendment to Lease.

WHEREAS, Landlord and Tenant desire to amend and modify the terms of the Lease to incorporate the additional space and to ratify and confirm the terms of the Lease as amended by the First Amendment as more particularly set forth below.

NOW, THEREFORE, in consideration of the mutual promises herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Landlord and Tenant agree as follows:

1. Upon occupancy by Tenant, the definition of the Premises set forth in the Lease shall be amended to include the addition of 41,132 r.s.f. of space (the "Additional Space") in the Building currently leased to Millennium Pharmaceuticals, Inc. ("Millennium"). See EXHIBIT A annexed hereto for the layout of the Additional Space.

2. Tenant shall take occupancy of the Additional Space beginning on the later of (i) the date upon which Millennium vacates the Additional Space, or (ii) March 19, 1999, and continuing for a period of ten (10) years from the date upon which Tenant occupies the Additional Space (the "Additional Space Term"). On or after March 19, 1999, if necessary, Landlord shall use best efforts to expedite Millennium's departure from the Additional Space, including filing an eviction proceeding. Landlord warrants and represents that according to the terms of its lease with Millennium that the lease expires on March 18, 1999 as to the Premises and the associated parking spaces. As to the Premises and the associated parking spaces, Landlord hereby agrees that Landlord will not extend or renew the term of Millennium's lease or waive any failure by Millennium to vacate. Landlord shall not be held liable for any loss or damage incurred by Tenant as a result of a hold-over by Millennium. Landlord represents that in addition to other sums for holding over, Millennium must pay a holdover premium equal to the greater of (a) twice the then fair market rent as reasonably determined by Landlord, or (b) the total of the Fixed Rent, Additional Rent (as those terms are defined in the Millennium lease) and all other payments then payable under the Millennium lease. Landlord agrees that it shall not waive the payment to Landlord of any such holdover premium by Millennium.

Provided that tenant has exercised in each instance its options to extend the Lease Term for the original Premises: (a) Tenant shall have two (2) options to extend the Additional Space Term (the "Additional Space Options") for successive periods of five (5) years each (the "Additional Space Extension Periods"), subject to and on the terms set forth herein. Tenant may only exercise the Additional Space Options with respect to the entire Additional Space. If Tenant shall desire to exercise any Additional Space Option, it shall give Landlord a notice (the "Additional Space Inquiry Notice") of such desire not later than fifteen (15) months prior to the expiration of the Additional Space Term of this Lease or the preceding Additional Space Extension Period, as the case may be. Thereafter, the Fair Market Rent (as defined in Subsection (c) below) for the applicable Additional Space Extension Period shall be determined in accordance with Subsection (d) below. After the applicable Fair Market Rent has been so determined, Tenant shall exercise each Additional Space Option by giving Landlord notice (the "additional Space Exercise Notice") of its election to do so not later than twelve (12) months prior the expiration of the Additional Space Term of this Lease, or the preceding Additional Space Extension Period, as the case may be. If Tenant fails to timely give either the additional Space Inquiry Notice of the Additional Space Exercise Notice to Landlord with respect to any Additional Space Option, Tenant shall be conclusively deemed to have waived such Additional Space Option hereunder.

(b) Notwithstanding any contrary provision of this Lease, each Additional Space Option and any exercise by Tenant thereof shall be void and of no force or effect unless on the dates Tenant gives Landlord its Additional Space Inquiry Notice and Additional Space Exercise Notice for each Additional Space Option and on the date of commencement of each Additional Space Extension Period (i) this Lease is in full force and effect, (ii) there is no Event of Default of Tenant under this Lease, and (iii) Tenant has not assigned or subleased (or agreed to assign or sublease) more than fifty percent (50%) of the rentable floor area then comprising the Additional Space.

(c) All of the terms, provisions, covenants, and conditions of this Lease shall continue to apply during each Additional Space Extension Period, except that the Additional Space Annual Fixed Rent Rate during each Additional Space Extension Period (the "Extension Rent") shall be equal to the fair market rent for the Additional Space determined as of the date twelve (12) months prior to expiration of the Additional Space Term or the preceding Additional Space Extension Period, as the case may be, in accordance with the procedure set forth in Subsection (d) below (the "Fair Market Rent").

(d) The Fair Market Rent for each Additional Space Extension Period shall be determined as follows: Within five (5) days after Tenant gives landlord its Additional Space Inquiry Notice with respect to any Additional Space Option, Landlord shall give Tenant notice of Landlord's determination of the Fair Market Rent for the applicable Additional Space Extension Period. Within ten (10) days after Tenant receives such notice, Tenant shall notify Landlord of its agreement with or objection to Landlord's determination of the Fair Market Rent, whereupon the Fair Market Rent shall be determined by arbitration conducted in the manner set forth below. If Tenant does not notify Landlord within such ten (10) day period of Tenant's agreement with or objection to Landlord's determination of the Fair Market Rent, then the Fair Market Rent of the applicable Additional Space Extension Period shall be deemed to be

Landlord's determination of the Fair Market Rent as set forth in the notice from Landlord described in this section.

(e) If Tenant notifies Landlord of Tenant's objection to Landlord's determination of Fair Market Rent under the preceding subsection, such notice shall also set forth a request for arbitration and Tenant's appointment of a commercial real estate broker having at least ten (10) years experience in the commercial leasing market in the City of Cambridge, Massachusetts (an "Arbitrator"). Within five (5) days thereafter, Landlord shall by notice to Tenant appoint a second Arbitrator. Each Arbitrator shall be advised to determine the Fair Market Rent for the applicable Additional Space Extension Period within thirty (30) days after Landlord's appointment of the second Arbitrator. On or before the expiration of such thirty (30) days period, the two Arbitrators shall confer to compare their respective determinations of the Fair 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 said amounts then the final determination of the Fair 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 within ten (10) days thereafter shall appoint a third Arbitrator (the "Third Arbitrator"), who shall be instructed to determine the Fair Market Rent for the applicable Additional Space Extension Period within ten (10) days after his 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 of the Third Arbitrator, if any, shall be shared equally by Landlord and Tenant.

3. Tenant shall accept the Additional Space in "as is" condition. Tenant acknowledges that Landlord has made, in anticipation of Tenant's future occupancy, for the benefit of Tenant at Landlord's sole cost and expense, certain improvements to the Additional Space as outlined in EXHIBIT B. Landlord agrees to consult with Tenant prior to agreeing to any changes requested by Millennium to the Additional Space.

4. Upon execution of this Second Amendment to Lease, section 4.1(d) of the Lease will be stricken in its entirety and be null and void and of no further force and effect.

5. Upon occupancy by Tenant of the Additional Space, Tenant shall pay to Landlord Annual Fixed Rent for the Additional Space in the amount of $1,460,186.00 (the "Additional Space Annual Fixed Rent Rate"), payable in equal monthly installments of $121,682.17 in advance on the first day of each calendar month; and for any portion of a calendar month at the beginning or end of the Term, at that rate payable in advance for such portion.

6. Article 4.1(b) shall be renumbered as 4.1(b)(1) and the following shall be added to the Lease as Article 4.1(b)(2):

(b) (2) Adjustment for CPI - Additional Space. (a) On December 31, 2000 (the "First Adjustment Date"), the Additional Space Annual Fixed Rent Rate shall be increased by multiplying said rate by the lesser of (i) a fraction, the numerator of which shall be the Price Index (as hereinafter defined) most recently established prior to the First adjustment Date, and the denominator of which shall be the Base Price Index (as hereinafter defined), or (ii) one hundred four percent (104%) per year, compounded annually over the period of time beginning

April 1, 1997 through the First Adjustment Date. (b) On December 31, 2005 (the "Second Adjustment Date"), the Additional Space Annual Fixed Rent Rate (as adjusted) shall be increased by multiplying said rate by the lesser of (i) a fraction, the numerator of which shall be the Price Index (as hereinafter defined) most recently established prior to the Second Adjustment Date, and the denominator of which shall be the Base Price Index (as hereinafter defined), or (ii) one hundred four percent (104%) per years, compounded annually over the five (5) years of the Additional Space Term of this Lease. As used herein, the term "Price Index" shall mean and refer to the "Consumer Price Index for Urban Wage Earners and Clerical Workers, for the Boston Massachusetts area, All Items (1982-84=100)" published by the Bureau of Labor Statistics of the United States Department of Labor or successor or substitute index appropriately adjusted, and the term "Base Price Index" shall mean and refer to the Price Index most recently established prior to the Commencement Date. In the event of the Price Index (or a successor or substitute index) shall not be published for the City of Boston, Massachusetts area or for the months indicated above, the corresponding index for the United States City Average (and if this is not available, a reliable governmental or other nonpartisan publication evaluating similar or equivalent information as used in the Price Index) shall be used. In the even the Price Index ceases to use the 1982-84 average of 100 as the basis of calculation, or if a substantial change is made in the terms or numbers of items contained in the Price Index, then the Price Index shall be adjusted to the figure that would have been arrived at had the manner of computing the Price Index in effect at the date of this Lease not been changed.

7. Upon commencement of the Additional Space Term, the Tenant's Proportionate Fraction as set forth in the Lease will be amended to 100%.

8. The provisions of Paragraph 10.11 of the Lease shall include reference to the Additional Space Annual Fixed Rent Rate in determining the "Security Deposit Amount" as the same may be adjusted. Upon commencement of the Additional Space Term, the Tenant shall increase the Security Deposit Amount by an amount equal to one (1) year Additional Space Annual Fixed Rent plus additional amounts, if any, as set forth in paragraph 10.11 as amended. The Security Deposit Amount shall be adjusted as provided in Section 10.11 by including the Additional Space Annual Fixed Rent Rate and other rental amounts due with respect to the Additional Space, as the same may be adjusted in accordance with Section 4.1(b), Section 4.1(c), Section 10.12, Section 10.13 and Section 10.14 of the Lease as amended. The additional Security Deposit Amount may be in the form of a Letter of Credit in the form of Exhibit L to the Lease and must be delivered on the commencement of the Additional Space Term.

9. Upon Tenant's reasonable request and subject to availability on the lot upon which the Building is situated, Landlord shall provide additional surface parking spaces to Tenant on a tenancy-at-will basis for an additional charge of $75.00 per space per month.

10. Landlord acknowledges that Tenant presently intends to reconfigure the Additional Space upon taking occupancy. The process for such reconfiguration of the Additional Space shall be in accordance with paragraph 3.3 of the Lease. However, Tenant shall be under no obligation to reconfigure the Additional Space.

11. Exhibit I of the Lease is hereby replaced with the Exhibit "I" attached hereto.

All capitalized terms used herein shall have the same meaning as set forth in the Lease.

Except as otherwise expressly set forth herein, all other terms of the Lease shall apply to the Additional Space, are hereby ratified and confirmed and shall remain unchanged and in full force and effect.

Executed this 13th day of June, 1997.

LANDLORD:

By: /s/

David E. Clem, Trustee as aforesaid and not individually

By: /s/

David M. Roby, Trustee as aforesaid and not individually

TENANT:
VERTEX PHARMACEUTICALS INCORPORATED

By: /s/

Name: Richard H. Aldrich
Title: Senior Vice President

[PLANS]

Exhibit 10.21

DATED 4TH NOVEMBER 1998

MILTON PARK LIMITED

and

VERTEX PHARMACEUTICALS (EUROPE) LIMITED

and

VERTEX PHARMACEUTICALS INCORPORATED

AGREEMENT FOR LEASE

of premises at 88 Milton Park
Abingdon Oxfordshire

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THIS AGREEMENT is made the 4th, day of November 1998

BETWEEN

(1) MILTON PARK LIMITED (Company No. 1772924) whose registered office is at Nations House 103 Wigmore Street London W1H 9AB ("the Landlord")

(2) VERTEX PHARMACEUTICALS (EUROPE) LIMITED (Company No.2907620) whose registered office is at 5 Cheapside Court Buckhurst Road Ascot Berkshire SL-5 7RF("the Tenant")

(3) VERTEX PHARMACEUTICALS INCORPORATED of 130 Waverly Street Cambridge Massachusetts USA ("the Guarantor") and whose address for service in the United Kingdom is at 88 Milton Park Abingdon Oxfordshire

1. DEFINITIONS AND INTERPRETATION

1.1 In this Agreement unless the context otherwise requires the terms defined in this clause shall for all purposes hereof have the meaning specified

"Approved Drawings"	the plans listed in and forming a part of the First Schedule
"Architect"	Nicholas Hare Architects of 3 Barnsbury Square London N1 1JL or such other architect as the Landlord may from time to time appoint in their place for the purposes of the Landlord's Works
"Certificate of Practical Completion"	the written statement of practical completion of the Landlord's Works (other than the Post Completion Works and the Optional Works) to be issued by the Construction Manager in accordance with the provisions of clause 4 hereof and in this Agreement the expression

	"Practically Completed" and "Practical Completion" shall be interpreted accordingly
"Completion Date"	the fifth working day immediately following the Practical Completion Date
"Consents"	all approvals consents licences and permissions necessary for the construction completion and retention of the Landlord's Works and including (without prejudice to the generality of the foregoing) planning permissions and Building Regulation approvals
"Construction Manager"	Glanville Projects Limited of Porterswood House Porterswood St. Albans Hertfordshire AL3 6PD or such other person as the Landlord may appoint in their place for the purposes of the Landlord's Works
"Defects Period"	36 calendar months from the Practical Completion Date (which period shall also be the Defects Period for the purposes of Clause 4(4) of the Lease)
"First Anniversary"	the first anniversary of the date of issue of the Certificate of Practical Completion
"General Conditions"	the Standard Conditions of Sale (Third Edition)
"Insurance Policy"	an insurance policy in respect of latent defects in the Premises to be procured by the Landlord at its cost in the form annexed hereto under Annexure B5 subject to such minor amendments as the insurers may require provided that any amendments shall not affect the

	amount of the insurance cover the risks insured or the amount of the excess
"Landlord's Estate"	the land at Milton Park Abingdon Oxfordshire known as Milton Park shown for the purpose of identification only edged red on Plan 2
"Landlord's Solicitors"	Pitmans of 47 Castle Street Reading RGI 7SR (DX40102 Reading (Castle Street)) (Ref: JCB\Milton)
"Landlord's Works"	the construction of the Premises and the ancillary service areas car parking and landscaping in accordance with the Approved Drawings and Specifications
"Lease"	the Lease in the form of the draft annexed as Annexure A
"Mechanical and Electrical Engineers"	Peter Brett Associates of 16 Westcote Road Reading Berkshire RG 30 2DE or such other persons as the Landlord may appoint in their place
"Optional Works"	the installation of an external spiral fire escape forming part of the Landlord's Works as more particularly described in the Third Schedule hereto
"Plan 1"	the plan so numbered annexed to this Agreement
"Plan 2"	the plan so numbered annexed to this Agreement
"Planning Permission"	detailed planning permission dated 14 April 1997 and including the approval of reserved matters
"Post Completion Works"	those works forming part of the Landlord's Works as set out in the Second Schedule hereto

"Practical Completion Date"	the date upon which the Landlord's Works (other than the Post Completion Works and the Optional Works) are practically completed as stated in the Certificate of Practical Completion
"Premises"	the premises shown edged red on Plan I to be known as 88 Milton Park Abingdon Oxfordshire
"Professional Team"	the Architect the Civil and Structural Engineer the Mechanical and Electrical Engineer and the Construction Manager
"Regulations"	the Construction (Design and Management) Regulations 1994
"Rent Commencement Date"	the date immediately following the expiration of the Rent Free Period
"Rent Free Period"	a period of six months from the Completion Date
"Site Inspections"	inspection of the Landlord's Works which are to be carried out on dates to be agreed between the parties which shall be no more frequently than once every 10 working days (the first of which is to take place on the [ ] day of [ ]) and shall be conducted in accordance with the provisions of Clause 4
"Specifications"	the specifications listed in and forming a part of the First Schedule

"Civil and Structural Engineer"	Glanville Consultants of Porterswood House Porterswood St. Albans Hertfordshire AL3 6PQ or such other civil and structural engineer from time to time appointed by the Landlord in their place for the purpose of the Landlord's Works
"Surveyor"	means Mike Taylor of Ridge and Partners Midland House Westway Oxford or failing him Peter Blockley Chartered Architect Toll Cottage Dorking Road Walton on the Hill Tadworth Surrey KT20 7MY
"Target Date	6th November 1998
"Tenant's Solicitors"	means Cameron McKenna Mitre House 160 Aldersgate Street London EC1A 4DD (Ref.NMH/MIT4.68A/042741.0010)
"Tenant's Surveyor"	means Ronald Jenkins Chartered Building Surveyor 27a Leopold Road Wimbledon London SW19 7BB
"working days"	means any day from Monday to Friday (inclusive) other than Christmas Day Good Friday and any statutory bank or public holiday

1.2 In this Agreement the following expressions shall for all purposes hereof have the meanings attached to them in the Lease unless the context otherwise requires:

1.2.1 Conduits

1.2.2 Permitted Use

1.2.3 the Principal Rent

1.3 Words importing the singular include the plural and vice versa and words importing one gender include any other gender

1.4 Reference to a numbered schedule paragraph or clause shall where the context so requires be a reference to the schedule paragraph or clause of this Agreement so numbered

1.5 The clause or paragraph headings in this Agreement are for the convenience of the parties and shall not affect its interpretation

1.6 Where two or more persons are included in the expression "the Landlord" "the Tenant" or "the Guarantor" the agreements by or with the Landlord the Tenant or the Guarantor shall be deemed to be entered into by or with such persons jointly and severally

1.7 Interest as defined in the Lease shall accrue on a daily basis in respect of any sums due under this Agreement but which shall remain unpaid for a period exceeding fourteen days and any such interest shall be paid from the date when any such sums became due until payment thereof (as well as before any judgment)

1.8 References to "the Landlord" do not include any successors in title of the Landlord to the Premises in respect of any of the obligations contained herein relating to the carrying out of the Landlord's Works (save in the case of any successor in title of the Landlord who expressly assumes such obligations) but otherwise do include the Landlord's successors in title to the Premises

1.9 References to any Statute Statutory Instrument Regulation or Order shall be construed as references to those provisions at the date of commencement of the Landlord's Works and to any provision enacted in substitution therefor to the extent that such variations or substitution are applicable to the subject matter of this Agreement

2. THE LANDLORD'S WORKS

2.1 The Landlord shall at its sole cost use all reasonable endeavours to complete the Landlord's Works (apart from the Post Completion Works and Optional Works) and procure the issue of the Certificate of Practical Completion by the Target Date

2.2 The Landlord will at its sole cost procure the commencement carrying out and completion of the execution of the Landlord's Works (other than the Optional Works unless the Tenant shall serve notice under clause 2.11 hereof requiring the Optional Works to be carried out)

2.3 Without prejudice to the generality of the foregoing the Landlord further agrees:

2.3.1 to procure that the Landlord's Works shall be carried out in conformity with the Approved Drawings the Specifications the Consents (to the extent that the same are obtained and remaining valid and unrevoked) and the requirements of all competent and public authorities and to obtain as soon as practicable any required consents and permissions for the Landlord's Works which have not already been obtained; and

2.3.2 to procure that the Landlord's Works will be carried out in a good and workmanlike manner using good quality materials of their several kinds and in accordance with the Regulations

2.4 The Landlord shall be entitled to substitute for the materials specified in the Specifications materials of similar quality and suitability and of substantially the same appearance (insofar as they shall be visible after incorporation into the Landlord's Works)

2.5 The Landlord may make or permit any minor variation to the Approved Drawings or the Specifications insofar as the same does not materially affect the quality of the Landlord's Works or the beneficial occupation and use of the Premises for the Permitted Use

2.6 The Landlord shall procure that none of the following materials are specified for use in the Landlord's Works:

2.6.1 high alumina cement or concrete whether in structural elements or otherwise

2.6.2 wood wool slabs in permanent shuttering form or in structural elements

2.6.3 calcium chloride in any admixtures

2.6.4 any aggregates for use in concrete which do not comply with British Standard 8110:1985 or any aggregates for use in reinforced concrete which do not comply with British Standards 882:1983 or such other British Standards in respect of each as may be in force at the date of specification

2.6.5 asbestos or any asbestos containing products as defined in the Asbestos Regulations 1969 or any statutory modification or re-enactment thereof in force at the date of specification

2.6.6 formaldehyde foam or material known to release formaldehyde in quantities which the Health & Safety Executive have at the date of specification certified as hazardous

2.6.7 calcium silicate bricks or tiles any slip bricks any crocodolite any vermiculite plaster

2.6.8 any material generally known within the construction industry at the date of specification to be deleterious to health and safety.

2.7 The Landlord shall at its sole cost enter into any agreement relating to the Premises including any wayleave and/or similar easement or facility as may be required in order to secure electricity gas water drainage telecommunication and other such services and supplies for the benefit of the Premises

2.8 Until completion of the Lease the Landlord shall at the cost of the Landlord insure or procure that the Landlord's Works are kept insured in the full reinstatement value for the usual contractor's risks

2.9 The Landlord shall provide the Tenant's Surveyor with copies of any additional detail to the Specifications and the Approved Drawings as soon as practicable after the additional details have been designed and if revisions are necessary to update the Specifications and/or the Approved Drawings and the Landlord shall take due cognisance of all representations made by

or on behalf of the Tenant in respect of such revisions if the representations are made within 5 working days of the date the Tenant's Surveyor receives details of the relevant revisions (excluding the day of receipt)

2.10

2.10.1 In respect of the Landlord's Works the Landlord is the only client (as defined in and for the purposes of the Regulations)

2.10.2 The Landlord shall deliver to the Tenant as soon as it is prepared a copy of the Health and Safety file which complies with the requirements of the Regulations

2.10.3 The Landlord shall forthwith either make a declaration to the Executive (as defined in the Regulations) that the Landlord is the only client or procure that its Agent appointed pursuant to Regulation 4(l) makes a declaration to the Executive in either case in accordance with Regulation 4(4) and if requested to do so by the Tenant the Landlord shall supply to the Tenant a copy of the applicable declaration and of the Executive's notice in response

2.11 If the Tenant shall request the Landlord in writing prior to date provided in the Lease for the first review of the rent the Landlord shall at its own expense carry out the Optional Works within a reasonable period of time after receipt of such notice to the reasonable satisfaction of the Tenant

2.12 The Landlord shall carry out the Post Completion Works within a reasonable period after the date of this Agreement having regard to the nature of such works to the reasonable satisfaction of the Tenant

3. INSPECTIONS

3.1 The Tenant and its professional team shall entirely at their own risk be at liberty (by prior appointment on reasonable notice) to enter upon the Premises for the purpose of viewing the state and progress of the Landlord's Works and to inspect and view the materials and

workmanship thereof PROVIDED ALWAYS that the following conditions shall be observed in respect of every such entry on the Premises:

3.1.1 The Tenant and its professional team shall be at liberty to visit the Premises at any reasonable time of the day but on the occasion of any such visit they shall jointly and immediately report their presence on the Premises to the Construction Manager or his appointed representatives:

3.1.2 The Tenant and its professional team shall comply with all safety requirements imposed by the Construction Manager (or his appointed representative); and

3.1.3 The Tenant and its professional team shall not interfere with or interrupt the progress of the Landlord's Works nor give or attempt to give instructions to any trade contractor or any member of the Professional Team;

3.2.1 The Tenant or its representative and the Construction Manager or his appointed representative shall attend the Site Inspections

3.2.2 The Construction Manager shall prepare minutes of each Site Inspection to record the condition of the Premises and shall use reasonable endeavours to submit the same to the Tenant within 3 working days of the Site Inspection

3.2.3 The Tenant shall make representations in writing regarding the condition of the Landlord's Works to the Construction Manager with a copy to the Landlord within 5 working days of each Site Inspection

3.2.4 The parties shall use their best endeavours to agree on any additional works required arising from the Tenant's representations but if such agreement is not made within 5 working days of the date of receipt of the Tenant's representations by the Construction Manager the matter shall be referred to the Surveyor for his determination who shall determine the matter in accordance with clause 12

3.2.5 In the event that the Tenant does not make a representation in accordance with clause 3.2.3 regarding any aspect of the Landlord's Works completed at the date of a relevant Site Inspection the Tenant shall not be entitled to make any further representation with regard to such matters pursuant to the provisions of clause 4.3

4 PRACTICAL COMPLETION

4.1 The Landlord shall give to the Tenant and the Tenant's Surveyor at least three working days notice of the date the Construction Manager intends to inspect that part of the Landlord's Works to be carried out prior to Practical Completion for the purposes of issuing a Certificate of Practical Completion (and as much notice as reasonably practicable of any adjournment thereof) and the Tenant and its professional team shall be entitled to attend every such inspection

4.2 The Tenant and its professional team shall be entitled to make representations to the Construction Manager during such inspection and the Landlord shall instruct the Construction Manager to have due and proper professional regard to the same

4.3 If the Tenant's Surveyor reasonably considers that subject to clause 4.6 the Landlord's Works have not been completed in accordance with this Agreement sufficient for the Construction Manager to issue a Certificate of Practical Completion he shall within 5 working days after his inspection notify the Construction Manager in writing of his reasons and state what further works are required

4.4 Subject to clause 4.5 the Landlord shall carry out such further works as soon as possible and shall notify the Tenant's Surveyor when such further works have been completed whereupon the Tenant's Surveyor shall within 5 working days re-inspect the Premises and if necessary the procedure set out in this clause shall be repeated as often as necessary until subject to clause 4.6 the Landlord's Works are completed in accordance with this Agreement sufficient to entitle

the Construction Manager to issue a Certificate of Practical Completion and the Construction Manager shall not issue such certificate until such time as such further works notified by the Tenant's Surveyor have been completed

4.5 If the Landlord disputes a notice from the Tenant's Surveyor under clause 4.4 stating further works which are required the dispute shall be determined by the Surveyor who shall determine the matter in accordance with clause 12

4.6 For the purposes of this Clause 4 the Tenant shall not be entitled to object to the issue of the Certificate of Practical Completion on the grounds of one or more of the following being outstanding:

4.6.1 The Post-Completion Works or the Optional Works

4.6.2 Snagging items which are agreed by the Landlord and the Tenant or determined by the Surveyor

4.6.3 Soft landscaping

4.6.4 Works which are not reasonably required to enable the Tenant to gain access to the Premises and beneficially occupy the Premises for the purposes permitted by the Lease as agreed by the Landlord and the Tenant or determined by the Surveyor PROVIDED THAT the Landlord shall procure completion of all such matters to the reasonable satisfaction of the Tenant's Surveyor as soon as reasonably practicable (or in accordance with such other timetable in relation to the Post Completion Works and the Optional Works as is provided for by this Agreement)

4.7 In the event that the Surveyor upholds an objection of the Landlord pursuant to Clause 4.5 then the other provisions of this Agreement (including in particular the definition of Completion Date and Rent Commencement Date) shall be interpreted as if the Certificate of

Practical Completion had been issued on the date on which the Tenant objected to its issue without justification

4.8 The Landlord shall deliver to the Tenant free of charge a set of "as built" drawings and all manuals and guarantees in respect of the Landlord's Works as soon as reasonably practicable following Practical Completion

5. THE LEASE

5.1 On the Completion Date the Landlord will grant or will procure the grant of and the Tenant will accept the Lease of the Premises

5.2 The Lease and the Counterpart thereof shall be prepared by the Landlord's Solicitors and the properly executed Counterpart shall be delivered to the Landlord's Solicitors on completion

5.3 The Lease shall be completed at the offices of the Landlord's Solicitors on or before 2.00 pm on the Completion Date

5.4 The Principal Rent reserved by the Lease shall be paid from the Rent Commencement Date but all other rents and sums payable under the Leases shall be paid with effect from the Completion Date

5.5 The Landlord shall grant the Lease with full title guarantee

6. RIGHT TO DETERMINE

If the Practical Completion Date has not occurred on or before the 1st February 1999 the Tenant shall have the right to terminate this Agreement by serving notice in writing to that effect on the Landlord at any time prior to the date on which the Landlord's Works (other than the Post Completion Works and the Optional Works) are practically completed for the purposes of this Agreement and in the event of service of such notice this Agreement shall cease and determine on the date of service of such notice by the Tenant but without prejudice to the rights and liabilities of the parties which have accrued up to that date

7. ALIENATION

The Tenant shall not assign or part with its interest under this Agreement or any part thereof or otherwise dispose of the same or any part thereof and the Tenant named herein shall personally accept the Lease and execute a counterpart thereof provided that if the Practical Completion Date has not occurred on or before the 1st February 1999 the Tenant may assign its interest under this Agreement with the prior consent of the Landlord which shall not be unreasonably withheld or delayed and provided further that the Tenant may assign the benefit of this Agreement to any person to whom the Lease (when granted) is assigned

8. NO DEMISE

Until the actual grant of the Lease this Agreement shall not operate or be deemed to operate as a demise of the Premises nor (save as otherwise provided by this Agreement) shall the Tenant have or be entitled to any estate right title or interest in the Premises or any part thereof

9. NO RESTRICTIONS

Nothing herein contained or implied shall impose or be deemed to impose any restriction on the use of any other part of the Landlord's Estate not comprised in this Agreement nor give to the Tenant the benefit of or the right to enforce any covenant agreement condition or stipulation entered into by any purchaser or lessee or tenant of the Landlord in respect of property not comprised in this Agreement or to prevent or restrict in any way the development of the Landlord's Estate not comprised in this Agreement

10. DEFECTS AND WARRANTY AGREEMENTS

10.1 The Landlord will procure that all defects arising in the Landlord's Works prior to the expiry of the Defects Period are made good at the Landlord's cost to comply with the provisions of clause 2.3 hereof PROVIDED THAT notice of the said defects has been given in writing to the Landlord by the Tenant not less than 10 working days before the expiry of the Defects Period

and provided that the Tenant affords all access necessary for the same but the Landlord shall not be liable to compensate the Tenant in respect of any reasonably necessary disturbance or disruption caused thereby to the Tenant's business carried on at the Premises but shall reinstate any damage caused to the Premises or the Tenant's property as soon as practicable and to the reasonable satisfaction of the Tenant

10.2 The Landlord shall make good any such defects as aforesaid notified to it in writing during the period from the date hereof until the First Anniversary as soon as practicable after the First Anniversary (save for defects which require urgent attention which shall be remedied as soon as practicable after written notification to the Landlord) and after the First Anniversary all defects shall be remedied as soon as practicable after written notification to the Landlord (provided such notification is made before the end of the Defects Period) all such defects being remedied to the reasonable satisfaction of the Tenant

10.3 Following the remedying of any defects in accordance with the preceding provisions of this clause it is expressly agreed that in the event of any claim by the Tenant arising out of the design or workmanship of the Landlord's Works the Tenant shall rely upon the enforcement against the Professional Team of the rights conferred upon the Tenant by the warranty agreements referred to in Clause 10.4 of this Agreement and upon the Insurance Policy

10.4 The Landlord shall procure from the Professional Team and shall deliver to the Tenant as soon as practicable after the Completion Date warranty agreements executed by such parties in the forms annexed to this Agreement and for this purpose the relevant form of warranty agreement is that at Annexure B 1 (in the case of the Architect) Annexure B2 (in the case of the Civil and Structural Engineer) Annexure B3 (in the case of the Construction Manager) and Annexure B4 (in the case of the Mechanical and Electrical Engineer)

10.5 The Landlord shall procure the issue of the Insurance Policy with a minimum level of cover of not less than the full re-building cost of the Landlord's Works (including all fees and expenses) and shall comply with the provisions of clause 4(5) of the Lease as if the Lease had been completed on the date of this Agreement

11. NO MERGER

This Agreement shall remain in force as to any of the stipulations and obligations hereof which shall not have been performed and remain to be performed notwithstanding the grant of the Lease SAVE THAT it is hereby expressly agreed that the Landlord shall have no continuing liability to the Tenant or to any other person for the design and construction of the Landlord's Works after the completion of the remedying of defects in accordance with clause 10

12. ADJUDICATION

Where under the terms of this Agreement a matter is referred to the determination of the Surveyor the following provisions shall apply:-

12.1 The Surveyor shall act as an expert and not as an arbitrator

12.2 The Surveyor must afford each party the opportunity within reasonable time limits to make representations to inform each party of the representations of the other and allow each party to make submissions to him on the representations of the other party

12.3 The fees and expenses of the Surveyor including the costs of his nomination are to be borne as the Surveyor shall in his discretion determine (and otherwise equally between the Landlord and the Tenant) and unless the parties otherwise agree they shall each bear their own costs relating to the determination of the issue by the Surveyor unless the Surveyor shall in his discretion otherwise determine

12.4 The determination by the Surveyor shall be issued as soon as possible and is to be conclusive and binding upon the parties save in the case of manifest error

13. SERVICE OF NOTICES

The provisions of clause 5(2) of the Lease shall apply in relation to notices served pursuant to this Agreement as if the same were set out herein

14. TITLE AND MATTERS TO WHICH THE PREMISES ARE SUBJECT

14.1 The Landlord shall deduce its title to grant the Lease to the Tenant in accordance with Section 110 of the Land Registration Act 1925 and the Tenant having received office copies of the said title dated 20th August 1998 shall be deemed to accept the Lease subject to all matters contained or referred to in the said office copies and shall not raise any objection or requisition in relation thereto

14.2 The Premises are let subject to:

14.2.1 all matters registered and capable of registration (whether or not so registered prior to the date of this Agreement) by any Local or other Competent Authority

14.2.2 all orders directions notices charges restrictions conditions agreements schemes resolutions requirements or other matters arising under any of the Town and Country Planning Acts

14.2.3 all overriding interests as defined by the Land Registration Act 1925 as amended (whether or not the Premises are registered)

14.2.4 all matters revealed by the documentation referred to in clause 14.1 above so far as the same are still subsisting and affect the Premises and the Tenant or the Tenant's Solicitors having been supplied with copies of such matters or with such information as the Landlord has concerned the same the Tenant acknowledges that it has entered into this Agreement with full knowledge and notice thereof and shall raise no objection requisition or enquiry in respect of such matters

15. THE GENERAL CONDITIONS

The General Conditions are incorporated in this Agreement to the extent that they are not varied by or inconsistent with the terms hereof and subject to the following amendments

15.1.1 General Conditions 1.1.1 (b) and (f) are deleted and all references in the General Conditions to the "contract" and the "Agreement" shall be deemed to be references to this Agreement

15.1.2 where General Conditions impose on the Landlord a duty to inform the Tenant (including but not limited to General Conditions 3.1.33.3.2(b) and 3.3.2 (c)) that obligation is to be construed as an obligation to inform the Tenant as soon as practicable after the information in question has come to the attention of the Landlord.

15.q1.3 General Conditions 2.2 2.3 4.2 4.3.2 5.2.2. (c) (d) (f) and (g) 5.2.3 5.2.5 5.2.6 6.1 6.2 6.7(a) and 6.7(b) are deleted

16. GUARANTEE

16.1 The Guarantor guarantees to the Landlord the due performance by the Tenant of the Tenant's obligations under this Agreement

16.2 If at any time before completion of the Lease the Tenant goes into liquidation or has a petition presented for its winding up or has an administrative receiver or administrator appointed or in either case has a receiver appointed or enters into a composition with its creditors then and in any such case the Landlord may at any time before completion of the Lease by notice in writing served on the Tenant's Solicitors invoke the provisions of clause 16.3

16.3 Immediately upon service of notice pursuant to clause 16.2 (but without prejudice to any preexisting right of action of any party in respect of any breach by any other party of its obligations under this agreement):-

(a) the rights of the Tenant under this agreement shall cease and determine absolutely and the Tenant shall be released from any further liability under this agreement; and

(b) this agreement shall from that date have effect as if the obligation to accept the Lease and the other obligations on the part of the Tenant contained in this agreement were primary obligations of the Guarantor and the Guarantor shall accept the Lease in place of the Tenant and shall otherwise be bound to the Landlord accordingly

17. ACKNOWLEDGEMENTS

17.1 The Tenant hereby admits and acknowledges as follows:

17.1.1 It has inspected the Approved Drawings and the Specifications and will prior to the Practical Completion Date inspect the Premises;

17.1.2 It has obtained advice and information with regard to the Premises independently of the Landlord;

17.1.3 It has seen and accepts the quality and colour of the proposed finishes to the external and internal parts of the Premises

17.1.4 It has not been induced to enter into this Agreement by or in reliance upon any statement either oral or in writing made by or on behalf of the Landlord other than the Landlord's Solicitors' written replies to written enquiries made by the Tenant's Solicitors prior to the date hereof and the Tenant accepts that if any such statement has been made other than as aforesaid it was not made as a condition warranty or representation for the purpose of inducing the Tenant to enter into this Agreement

18. TERMINATION

18.1 For the purposes of this clause an "event of default" shall occur if there shall prior to the Completion Date be any breach of the agreements covenants or other obligations of the Tenant under this Agreement which (if capable of remedy) shall not be remedied by the Tenant within such reasonable period as the Landlord shall stipulate in writing

18.2 Upon the occurrence of an event of default the Landlord in addition to and without prejudice to any other rights and remedies may prior to the Completion Date rescind this Agreement forthwith by giving written notice to the Tenant to that effect and the Tenant's interest hereunder shall cease

19. ENTIRE CONTRACT

This Agreement constitutes the entire contract between the parties

20. JURISDICTION

This Agreement shall be governed in accordance with English Law and the parties hereby agree to submit to the jurisdiction of the Courts of England

IN WITNESS whereof the parties hereto have executed this Agreement under seal

FIRST SCHEDULE

SPECIFICATIONS AND PLANS OF LANDLORD'S WORKS ATTACHED HERETO

SECOND SCHEDULE

POST COMPLETION WORKS

THIRD SCHEDULE

OPTIONAL WORKS

EXECUTED and delivered as a Deed)
by MILTON PARK LIMITED)
acting by:-)

Director /S/

Director/Secretary /S/

EXECUTED and delivered as a Deed)
by VERTEX PHARMACEUTICALS)
(EUROPE) LIMITED)
acting by:-)

Director

Director/Secretary

EXECUTED and delivered)
as a DEED by VERTEX)
PHARMACEUTICALS INCORPORATED)
acting by:)

GENERAL

Building 88 is a two storey building comprising c. 2,300 sq m. The building forms part of a development of three similar buildings orientated in an 'H' shape around a central courtyard. Building 88 has a third storey which has been designed to accommodate plant, both in an enclosed central area and on open 'balconies' at both ends of the building. The building has two entrance areas both forming a core containing a stair and lift to the first floor, fitted separate male, female and disabled toilet areas, riser cupboards and doors into the 'shell workspace' area.

The core areas will be finished to a normal developer's specification including plastered and painted walls, carpeted first floor landings and stairs, non slip ceramic tiles to ground floor entrance with plasterboard ceilings and feature lighting. Perimeter radiators provide space heating. With the exception of the first floor disabled WC and ground floor shower next to lift 4 and staircase 7 described at 10 below, WC areas have fully tiled walls, suspended ceilings, non slip ceramic tiled floors and are fitted with usual sanitary provision.

The remaining 'workspace' area on both ground and first floors are finished as a basic shell with no floor or ceiling finishes, untreated blockwork walls and unfinished cladding panels. No electrical, gas, water or heating distribution will be made in these areas with only such services as are necessary for life safety or protection of the building fabric.

The thermal performance of the external building envelope will comply in all respects with the Building Regulations for England and Wales, Part L, 1995.

All building work will comply with the relevant British Standards, BS Codes of Practice, Public Utility Regulations and Bye Laws. Mechanical and Electrical installations will comply to the design codes of CIBSE. Health and Safety files and 0 & M Manuals are provided on practical completion.

All works are being undertaken in accordance with the following drawings:

Architects Drawings:
406(-)002R, 003W, 004T, 005M, 008E, 009C, 011E, 012D, 013B, 015J, 016J, 017D, 021F.

Services Drawings:
WB864/E100/, 401-1, 401-2, 402-1, 402-2, 403-1, 403-2, 404-1, 404-2, 405-1, 405-2, 405-3, 406-1, 406-2, 406-3.
1241/M13A, 14A, 15A, 16A, 17B, 18B.

Peter Brett Associates Drawing:
9422/ME/50OF and H

1. FOUNDATIONS

Mass concrete trench fill and pad foundations on vibro-compacted sub-grade, designed in accordance with the recommendations of the site investigation report Np 31095/10 dated June 1997.

2. STRUCTURAL FRAME

Steel frame with intumescent paint or boarding to achieve as required fire protection.

Hot rolled structural steel trusses, shot blasted and zinc phosphate primed finish supporting cold rolled galvanised steel purlins.

3. GROUND FLOOR SLAB

In-situ mesh reinforced concrete slab on granular sub-base to core areas, wide bay fibre reinforced concrete slab and granular sub-base to office areas designed for uniformly distributed load of 20kN/mTO THE POWER OF 2 (4001b per sq ft). Insulation 'U' value is to be 0.45W/m2 or better

4. EXTERNAL WALLS

Masonry-cavity wall with 'Red Bank Gobelin' or similar external facing brick skin, 160mm cavity with 75mm rockwool partial cavity fill and 140mm non-load bearing dense blockwork.

Insulation 'U' Value is to be 0.45W/mTO THE POWER OF 2 DEG.C or better.

Precast reconstituted stone lintels above first floor windows.

Aluminium Pvf2 coated BS 18B 25 Dark Grey RAL 7037 Light Grey flat composite Luxalon cladding panels in window bays and Kingspan cladding panels fixed horizontally with proprietary fittings at the plant room and gable ends.

5. UPPER FLOORS

Precast concrete floor slabs to first floor offices 260mm deep, designed for uniformly distributed load of 6kN/mTO THE POWER OF 2 (120lb/sq ft).

Precast concrete floor slabs to plant rooms 150mm deep, designed for uniformly distributed load of 5.OkN/mTO THE POWER OF 2.

6. ROOF

Aluminium mill finish standing seam Kalzip roof cladding with 170mm insulation, vapour barrier and steel liner tray, to achieve 'U' value of 0.45W/mTO THE POWER OF 2. Concealed aluminium gutters and exposed downpipes.

Precast concrete floor planks to flat roof areas 150mm deep with screed to falls and Sarnafil single ply inverted flat roof system.

7. GLAZING

Double glazed polyester powder coated, colour Dark Grey BS 18B 25 externally and White RAL 9016 internally, thermally broken Hunter Douglas aluminium windows with approximately 50% top hung opening lights. Polyester powder coated aluminium doors and external fire exit doors.

All ground floor windows to south and west elevations and first floor windows to west elevations to have external aluminium Kingfisher sun louvres.

Full height glazing to front entrance area.

Glazed rebated entrance doors, letter box and conduit for entry control.

8. INTERNAL WALLS

Blockwork generally to underside of floors or roof structure, with a plaster finish to core areas. No plaster or other finish to other 'workspace' areas.

Block to WC cubicles.

9. STAIRCASES

Precast concrete staircases to front entrances.

Polyester powder coated balustrading and maple handrail to front staircases and landing.

Ladder access to plant rooms.

Galvanised mild steel painted external spiral fire escape stair to east and west elevation. Galvanised mild steel-painted external spiral fire escape stair to south elevation to be procured and fitted at a later date--see Agreement for Lease.

10. INTERNAL FITTINGS

DOORS

Internal entrance doors to be solid core maple veneered with vision panels, with maple linings and architraves.

All other doors off entrance areas to be solid core maple veneered flush doors, maple linings and architraves.

Toilet cubicle doors to be maple with maple linings and architraves. Riser duct doors to be painted MDF.

The female toilet doors will be hung on the jamb nearest the basins.

DOOR FURNITURE

Pull handles and kick/push plates to be stainless steel and other ironmongery satin anodised aluminium by Newman Tonks.

JOINERY

Maple skirtings to entrance areas. No skirtings anywhere else in building. All window boards to be omitted as agreed with Vertex.

TOILETS

Toilet areas to have white china sanitaryware, laminate panels to concealed WC and urinal cisterns, solid acrylic resin vanity units to wash hand basins, toilet roll holders, mirrors, coat hooks and fused spur outlets for hand dryers.

At Vertex's request, the first floor disabled WC and the ground floor shower located next to lift 4 and stair 7 shown on the general arrangement drawings will be left as a shell, i.e. no wall, floor, ceiling or sanitary fitting or finishes will be included. Drainage services will be left capped off. No radiators will be installed. Pipework to radiators will be capped off. No mechanical ventilation provision shall be made.

11. INTERNAL FINISHES

WALLS

Front entrance, staircase and landing areas to be plastered and finished with emulsion paint finish.

All other 'workspace' areas to be fairfaced blockwork.

With the exception of the first floor disabled WC and the ground floor shower next to lift 4 and staircase 7 described at 10 above, toilet walls to be plastered and have full height Langley ceramic tiles.

FLOORS

Staircase and landing areas to have Escopallas Excell carpet tiles antistatic to IBM Standard for general office use with nosings to staircase tread.

Cleaners room to be sand/cement screed with sheet vinyl flooring.

VVith the exception of the first floor disabled WC and the ground floor shower next to lift 4 and staircase 7 described at 10 above, toilet areas to be sand/cement screed with slip resistant 300 x 300mm Langley ceramic tiling.

Front entrances to have non-slip Langley ceramic tiling with aluminium/polypropylene entrance matting.

'Workspace' areas to be powerfloat concrete on ground floor and concrete planks on first floor. First floor planks to receive a coloured dust sealer.

Plant room floors and lift motor room will receive and application of three coats of "Watco Octaseal" paint.

CEILINGS

Entrance, staircase and landing areas generally to have Gyproc MF plasterboard ceiling.

With the exception of the first floor disabled WC and the ground floor shower next to lift 4 and staircase 7 described at 10 above, toilet areas to have exposed narrow grid Armstrong Microlux Dune suspended ceiling with 600 x 600mm moisture resisting tiles.

No other ceiling finishes in the building.

12. LIFT

2 No Eight person Schindler 100 Series hydraulic passenger lifts.

Lift car door and returns are finished in stainless steel. Full height carpet tiles to side walls, half height carpet with tinted mirror to rear wall and handrail below. Carpet tiles to floor. Concealed lighting to ceiling.

A flush telephone wall cabinet (no telephone or cabling) will be provided.

13. ELECTRICAL INSTALLATION

The incoming electrical supply will be provided by the local electricity supply authority, and will be delivered and metered at low voltage, maximum anticipated load allowance of 290 KVA.

Separate cable risers shall be provided, 1 per each building core. Electrical riser to be fitted out with lighting and small power distribution system for first floor only. Data/communication risers to provide space for tenant fit out.

LIGHTING

Emergency lighting, based on integral or remote battery units shall be provided to all relevant escape route areas in accordance with BS5266 and as required by the local authority.

Lighting installation shall comprise of the following areas and the artificial average illumination level will be:

i. Entrance: 200-300 Lux; wall mounted low energy Marlin luminaires.

ii. Staircases and landing areas: 150 Lux; Marlin recessed low energy compact fluorescent luminaires.

iii. Toilets (with the exception of the first floor disabled WC and the ground floor next to lift 4 and staircase 7 described at 10 above): 150 Lux; low energy recessed compact fluorescent Marlin luminaires to cubicles and circulation areas, low voltage Marlin downlighters or pelmet lighting over the vanity units.

iv. Plant rooms etc: 200-250 Lux; linear fluorescent luminaires with metal reflectors or compact fluorescent bulkhead luminaires surface linked.

V. Unoccupied 'workspace' areas: Minimum numbers of fluorescent batten tubes to be installed to provide minimum lighting to render building safe (as agreed with Vertex).

POWER DISTRIBUTION

Single and double outlet switched 13 amp socket outlets shall be positioned within the core areas and plantrooms to provide for routine maintenance, cleaning and general services. No other small power distribution.

Emergency lighting, based on integral or remotely battery units shall be provided to all relevant escape route areas in accordance with BS5266 and as required by the local authority.

FIRE ALARM

A "break glass" fire alarm installation and automatic smoke detection system shall be provided to all core and workspace areas of the building designed in accordance with BS5839, protection category L2. The alarm and detection system shall have the facility to be extended to accommodate tenant requirements. Fire alarm sounders are provided to give coverage to the whole of the building based on an open plan basis.

LIGHTING PROTECTION

The building shall be provided with its own lightning protection system designed in accordance with BS6651.

ACCESS SYSTEM PROVISION

An access conduit system shall be provided from the external doors in the entrance areas to above the suspended ceiling for the installation of a security system by a future tenant.

14. HEATING, PLUMBING AND VENTILATION

GAS - GENERAL

2 No low pressure gas connections shall be provided from the local supply authority mains to the gas meter enclosure. Both gas mains rise to serve two gas fired low pressure hot water (LPHW) 'Ideal CXD 70' boilers at roof level in the plant room which provide hot water distribution (see below) and shall be provided to comply with local gas board regulations.

WATER - GENERAL

2 No dedicated 35 mm dia water connections will be provided from the local supply authority mains to 2 No cold water storage tanks in the plant room.

COLD WATER DISTRIBUTION

Cold water distribution within the 2 core areas of toilet/cleaners accommodation is provided from the storage tanks. Cold water connected to all sanitary fittings in both core areas. Overflow pipes to toilets discharge onto floor where a gully is provided.

HOT WATER DISTRIBUTION

The building shall be provided with four gas fired boilers in the plant room (as described above) capable of serving hot water to all appropriate sanitary fittings in the core areas. Two hot water systems will be provided with each system comprising of two gas fired boiler units, pressurisation set, primary and secondary pipework and hot. water treatment equipment located within the dedicated plant room.

SPACE HEATING

Dedicated LPHW pipework distribution systems comprising weather compensated circuits shall be provided to be capable of serving a network of perimeter radiators to the core areas.

VENTILATION

With the exception of the first floor disabled WC and ground floor shower next to lift 4 and staircase 7 described at 10 below, toilet extract ventilation will be provided to serve the initial cores by central extract fan units in the plantroom. Supply air shall be introduced from the adjacent circulation areas. Toilet areas shall be maintained at a negative pressure with respect to surrounding areas to control migration of odours etc.

Ventilation to the roof plant rooms shall be provided to meet local authority requirements via louvres in the external walls.

GENERAL

The sanitary and plumbing systems to serve the toilet and cleaner accommodation shall be designed in accordance with current Codes of Practice and to suit requirements of local authority.

15. INCOMING SERVICES

Services to be installed to the buildings as follows:

FOUL AND SURFACE WATER SEWERS - Connected to existing main drainage system.

Electricity - Cables to be laid to existing Southern Electric low voltage system. 2 No 145 KVA supplies.

GAS - Pipes to be laid to British Gas main supply. 2 No @ 378 kwh.

BT, MERCURY AND COMTEL - Ducts to be installed for BT, Mercury Communications and Comtel.

WATER SUPPLY - Pipework to be laid to existing Thames Water mains supply. 2 No 35mm supplies with meters are provided.

16. EXTERNAL LIGHTING

Lighting to pedestrian access, car parking, utility and amenity space with low level bollards and 5m columns with amenity luminaire, Thom Johanna or similar with 150W high pressure lamp in a decorative housing with a dished reflector above, to achieve average illuminance of 5 - 7 Lux.

17. CAR PARKING

A total of 270 car parking spaces to be provided. Loading - heavy delivery vehicles and cars. Finish -concrete block paving roads and bituminous macadam spaces with block paving corner demarkation, precast concrete kerbs generally.

Access roads to the development to be finished with bituminous macadam wearing course.

VALE
OF WHITE HORSE
Planning & Engineering Department

TOWN AND COUNTRY PLANNING ACT 1990

NOTICE OF PERMISSION

To: Lansdown Estates Group Ltd
c/o Granville Projects
80 Milton Park
Abingdon
Oxon OX14 4RY

Application No: MIL/59/122

Proposal: Demolition of 88 Milton Park and erection of proposed B1/or B8 development.

Address: 88 Milton Park
Milton
Abingdon
Oxon
OX14 4RY

DATE OF DECISION: 14th April 1997

The Vale of White Horse District Council, in pursuance of powers under the Above Act hereby PERMIT the above development to be carried out in accordance with the application and accompanying plans submitted by you, subject to compliance with the conditions specified hereunder.

1. THE DEVELOPMENT TO WHICH THIS PERMISSION RELATES SHALL BE BEGUN WITHIN A PERIOD OF FIVE YEARS FROM THE DATE OF THIS PERMISSION.

2. THE DEVELOPMENT SHALL BE LANDSCAPED IN ACCORDANCE WITH A SCHEME WHICH SHALL BE SUBMITTED TO AND APPROVED IN WRITING BY THE DISTRICT PLANNING AUTHORITY BEFORE THE DEVELOPMENT COMMENCES AND SHALL ENSURE:

a) THE RETENTION OF SELECTED EXISTING TREES AND SHRUBS ON THE SITE,

b) THE PROTECTION 0F THE SELECTED EXISTING TREES AND SHRUBS ON THE SITE DURING THE DEVELOPMENT OF THE SITE;

c) THE CARRYING OUT OF ANY EARTH MOVING OPERATIONS CONCURRENTLY WITH THE CARRYING OUT OF THE BUILDING AND OTHER WORKS;

d) COMPLETION OF THE SCHEME DURING THE PLANTING SEASON NEXT FOLLOWING THE COMPLETION OF THE BUILDING(S), OR SUCH OTHER DATE AS MAY BE AGREED IN WRITING WITH THE DISTRICT PLANNING, AUTHORITY;

e) THE MAINTENANCE OF THE LANDSCAPED AREAS FOR A PERIOD OF FIVE YEARS OR UNTIL ESTABLISHED, WHICHEVER MAY BE LONGER. ANY TREES OR SHRUBS REMOVED, OR WHICH IN THE OPINION OF THE DISTRICT PLANNING AUTHORITY, ARE DYING, BEING SEVERELY DAMAGED OR BECOMING SERIOUSLY DISEASED WITHIN FIVE YEARS OF PLANTING, SHALL BE REPLACED BY TREES OR SHRUBS OF SIMILAR SIZE AND SPECIES TO THOSE ORIGINALLY REQUIRED TO BE PLANTED.

3. PRIOR TO THE FIRST USE OF ANY BUILDING, THE CAR PARKING AREA SHOWN ON THE APPROVED PLAN REFERENCE (406/002E) SHALL BE CONSTRUCTED, DRAINED, LAID AND MARKED OUT IN ACCORDANCE WITH THE SPECIFICATION OF OXFORDSHIRE COUNTY COUNCIL OR SUCH WORKS. THEREAFTER THE AREA SHALL BE KEPT PERMANENTLY FREE OF ANY OBSTRUCTION TO SUCH USE.

The reasons for the Council's decision to grant permission for the development subject to compliance with the conditions hereinbefore specified are:

1. TO COMPLY WITH THE REQUIREMENTS OF SECTION.91 OF THE TOWN & COUNTRY PLANNING ACT, 1990.

2. TO ENSURE THE IMPLEMENTATION OF A SATISFACTORY SCHEME OF LANDSCAPING WHICH WILL IN DUE COURSE IMPROVE THE ENVIRONMENTAL QUALITY OF THE DEVELOPMENT AND SOFTEN ITS IMPACT ON THE AREA.

3. IN THE INTEREST OF HIGHWAY SAFETY.

/s/

CHIEF PLANNING AND ENGINEERING OFFICER,

(IN SCOTLAND LEAVE BLANK FOR APPLICABLE DATE SEE CLAUSE ON PAGE 4)

THIS AGREEMENT
is made the ---------- day of ---------- 199

BETWEEN:

(insert name of the Consultant)

(1) NICHOLAS HARE ARCHITECTS
of/whose registered office is situated at 3 Barnsbury Square, London N1 IJL ("the Firm"), and

(insert name of the Purchaser/the Tenant)

(2) ----------

whose registered office is situated at ----------

(delete as appropriate)

("the Tenant" which term shall include all permitted assignees under this Agreement).

WHEREAS:

(delete as appropriate)

A. The Tenant has entered into an agreement to lease with

MILTON PARK LTD ("the Client") relating to

(insert description of the premises)

---------- ("the Premises")

(insert description of the development)

at 86-88 MILTON PARK, ABINGDON, OXON

(insert address of the development)

---------- "the Development").]

(delete as appropriate)

["The Premises" are also referred to as "the Development" in this Agreement.]

insert date or appointment (delete/complete as appropriate)

B. By a contract ("the Appointment") dated ----------
the Client has appointed the Firm as [architects] in connection with the Development.

C. The Client has entered or may enter into a contract ("the Building Contract") with

(insert name or building contractor or a building contractor to be selected by the Client)

VARIOUS TRADE CONTRACTORS TO BE SELECTED BY THE CLIENT

for the construction of the Development.

NOW IN CONSIDERATION OF THE PAYMENT OF ONE POUND (L1) BY THE PURCHASER/THE TENANT TO THE FIRM (RECEIPT OF WHICH THE FIRM ACKNOWLEDGES) IT IS HEREBY AGREED as follows:

(delete as appropriate to reflect terms of the appointment)

1. The Firm warrants that it has exercised and will continue to exercise reasonable skill [and care] [care and diligence] in the performance of its services to the Client under the Appointment. In the event of any breach of this warranty:

(a) subject to paragraphs (b) and (c) of this clause, the Firm shall be liable for the reasonable costs of repair renewal and/or reinstatement of any part or parts of the Development to the extent that

- the Tenant incurs such costs and/or
- the Tenant is or becomes liable either directly or by way of financial contribution for such costs.

The Firm shall not be liable for other losses incurred by the Tenant.

(b) the Firm's liability for costs under this Agreement shall be limited to that proportion of such costs which it would be just and equitable to require the Firm to pay having regard to the extent of the Firm's responsibility for the same and on the basis that

(insert the names of other intended warrantors)

GLANVILLE AND ASSOCIATES
GLANVILLE PROJECTS
PETER BRETT ASSOCIATES
MACGREGOR SMITH

shall be deemed to have provided contractual undertakings on terms no less onerous than this Clause 1 to the Tenant in respect of the performance of their services in connection with the Development and shall be deemed to have paid to the Tenant such proportion which it would be just and equitable for them to pay having regard to the extent of their responsibility;

(c) the Firm shall be entitled in any action or proceedings by the Tenant to rely on any limitation in the Appointment and to raise the equivalent rights in defence of liability as it would have against the Client under the Appointment;

(d) the obligations of the Firm under or pursuant to this Clause I shall not be released or diminished by the appointment of any person by the Tenant to carry out any independent enquiry into any relevant matter.

(delete where the Firm is the quantity surveyor)

2. [Without prejudice to the generality of Clause 1, the Firm further warrants that it has exercised and will continue to exercise reasonable skill and care to see that, unless authorised by the Client in writing or, where such authorisation is given orally, confirmed by the Firm to the Client in writing, none of the following has been or will be specified by the Firm for use in the construction of those parts of the Development to which the Appointment relates:

(a) high alumina cement in structural elements:

(b) wood wool slabs in permanent formwork to concrete:

(c) calcium chloride in admixtures for use in reinforced concrete:

(d) asbestos products:

(e) naturally occurring aggregates for use in reinforced concrete which do not comply with British Standard 882: 1983 and/or

naturally occurring aggregates for use in concrete which do not comply with British Standard 8110: 1985.

(further specific materials may be added by agreement)

In the event of any breach of this warranty the provisions of Clauses 1a, b, c and d shall apply.]

3. The Firm acknowledges that the Client has paid all fees and expenses properly due and owing to the Firm under the Appointment up to the date of this Agreement.

4. The Tenant has no authority to issue any direction or instruction to the Firm in relation to the Appointment.

5. The copyright in all drawings, reports, models, specifications, bills of quantities, calculations and other documents and information prepared by or on behalf of the Firm in connection with the Development (together referred to in this Clause 5 as "the Documents") shall remain vested in the Firm but, subject to the Firm having received payment of any fees agreed as properly due under the Appointment. The Tenant and its appointee shall have a licence to copy and use the Documents and to reproduce the designs and content of them for any purpose related to the Premises including, but without limitation, the construction, completion, maintenance, letting, promotion, advertisement, reinstatement, refurbishment and repair of the Premises. Such licence shall enable the Tenant and its appointee to copy and use the Documents for the extension of the Premises but such use shall not include a licence to reproduce the designs contained in them for any extension of the Premises. The Firm shall not be liable for any use by the Tenant or its appointee of any of the Documents for any purpose other than that for which the same were prepared by or on behalf of the Firm.

6. The Firm shall maintain professional indemnity insurance in an amount of not less than
(insert amount) ONE AND A HALF MILLION POUNDS (L1,500,000) for any one occurrence or series of occurrences arising out of any one event for a period
(insert period) of years from the date of practical completion of the Premises under the Building Contract, provided always that such insurance is available at commercially reasonable rates. The Firm shall immediately inform the Tenant if such insurance ceases to be available at commercially reasonable rates in order that the Firm and the Tenant can discuss means of best protecting the respective positions of the Tenant and the Firm in the absence of such insurance. As and when it is reasonably requested to do so by the Tenant or its appointee the Firm shall produce for inspection documentary evidence that its professional indemnity insurance is being maintained.

(insert number of times) [7 This Agreement may be assigned ONCE by the Tenant by way of absolute legal assignment to another person taking an assignment of the Purchaser's/the Tenant's interest in the
(delete if under Scots law) Premises without the consent of the Client or the Firm being required and such assignment shall be effective upon written notice thereof being given to the Firm. No further assignment shall be permitted.]

8 Any notice to be given by the Firm hereunder shall be deemed to be duly given if it is delivered by hand at or sent by registered post or recorded delivery to the Tenant at its registered office and any notice given by the Tenant hereunder shall be deemed to be duly given if it is addressed to "The Senior Partner"/"The Managing Director" and delivered by hand at or sent by registered post or recorded delivery to the above-mentioned address of the Firm or to the principal business address of the Firm for the time being and, in the case of any such notices, the same shall if sent by registered post or recorded delivery be deemed to have been received forty eight hours after being posted.

9 No action of proceedings for any breach of
(complete as appropriate) this Agreement shall be commenced against the Firm after the expiry of years from the date of practical completion of the Premises under the Building Contract.

(delete if under Scots law)

[10 The construction validity and performance of this Agreement shall be governed by English law and the parties agree to submit to the non-exclusive jurisdiction of the English Courts.]

(alternatives, delete as appropriate)

[AS WITNESS the hands of the parties the day and year first before written.

Signed by or on behalf of the Firm

(for agreement executed under hand and NOT as a deed)

in the presence of:

Signed by or on behalf of the Tenant

---

in the presence of:

---]

(IN SCOTLAND LEAVE BLANK FOR APPLICABLE DATE SEE CLAUSE ON PAGE 4)

THIS AGREEMENT
is made the ---------- day of ---------- 199

BETWEEN:

(insert name of the Consultant)

(1) GLANVILLE AND ASSOCIATES
---
of/whose registered office is situated at PORTERSWOOD HOUSE, PORTERSWOOD,
---
ST. ALBANS, HERTS AL3 6PQ ("the Firm"), and

(insert name of the Purchaser/the Tenant)

(2) ---

whose registered office is situated at

(delete as appropriate)

("the Tenant" which term shall include all permitted assignees under this Agreement).

WHEREAS:

(delete as appropriate)

A. The Tenant has entered into an agreement to lease with

MILTON PARK LTD

(insert description of the premises)

(insert description of the development)

at 86-88 MILTON PARK, ABINGDON, OXON

(insert address of the development)

(delete as appropriate)

["The Premises" are also referred to as "the Development" in this Agreement.]

insert date or appointment (delete/complete as appropriate)

B. By a contract ("the Appointment") dated ---
the Client has appointed the Firm as [architects] in connection with the Development.

C. The Client has entered or may enter into a contract ("the Building Contract") with

(insert name or building contractor or a building contractor to be selected by the Client)

VARIOUS TRADE CONTRACTORS TO BE

SELECTED BY THE CLIENT

---

for the construction of the Development.

NOW IN CONSIDERATION OF THE PAYMENT OF ONE POUND (L1) BY THE PURCHASER/THE TENANT TO THE FIRM (RECEIPT OF WHICH THE FIRM ACKNOWLEDGES) IT IS HEREBY AGREED as follows:

(delete as appropriate to reflect terms of the appointment)

1. The Firm warrants that it has exercised and will continue to exercise reasonable skill [and care] [care and diligence] in the performance of its services to the Client under the Appointment. In the event of any breach of this warranty:

(a) subject to paragraphs (b) and (c) of this clause, the Firm shall be liable for the reasonable costs of repair renewal and/or reinstatement of any part or parts of the Development to the extent that

- the Tenant incurs such costs and/or
- the Tenant is or becomes liable either directly or by way of financial contribution for such costs.

The Firm shall not be liable for other losses incurred by the Tenant.

(b) the Firm's liability for costs under this Agreement shall be limited to that proportion of such costs which it would be just and equitable to require the Firm to pay having regard to the extent of the Firm's responsibility for the same and on the basis that

(insert the names of other intended warrantors)

GLANVILLE PROJECTS

NICHOLAS HARE ARCHITECTS

PETER BRETT ASSOCIATES

MACGREGOR SMITH
---

shall
---
be deemed to have provided contractual undertakings on terms no less onerous than this Clause 1 to the Tenant in respect of the performance of their services in connection with the Development and shall be deemed to have paid to the Tenant such proportion which it would be just and equitable for them to pay having regard to the extent of their responsibility;

(c) the Firm shall be entitled in any action or proceedings by the Tenant to rely on any limitation in the Appointment and to raise the equivalent rights in defence of liability as it would have against the Client under the Appointment;

(d) the obligations of the Firm under or pursuant to this Clause I shall not be released or diminished by the appointment of any person by the Tenant to carry out any independent enquiry into any relevant matter.

(delete where the Firm is the quantity surveyor)

2. [Without prejudice to the generality of Clause 1, the Firm further warrants that it has exercised and will continue to exercise reasonable skill and care to see that, unless authorised by the Client in writing or, where such authorisation is given orally, confirmed by the Firm to the Client in writing, none of the following has been or will be specified by the Firm for use in the construction of those parts of the Development to which the Appointment relates:

(a) high alumina cement in structural elements:

(b) wood wool slabs in permanent formwork to concrete:

(c) calcium chloride in admixtures for use in reinforced concrete:

(d) asbestos products:

(e) naturally occurring aggregates for use in reinforced concrete which do not comply

with British Standard 882: 1983 and/or naturally occurring aggregates for use in concrete which do not comply with British Standard 8110: 1985.

(further specific materials may be added by agreement)

In the event of any breach of this warranty the provisions of Clauses 1a, b, c and d shall apply.]

3. The Firm acknowledges that the Client has paid all fees and expenses properly due and owing to the Firm under the Appointment up to the date of this Agreement.

4. The Tenant has no authority to issue any direction or instruction to the Firm in relation to the Appointment.

5. The copyright in all drawings, reports, models, specifications, bills of quantities, calculations and other documents and information prepared by or on behalf of the Firm in connection with the Development (together referred to in this Clause 5 as "the Documents") shall remain vested in the Firm but, subject to the Firm having received payment of any fees agreed as properly due under the Appointment. The Tenant and its appointee shall have a licence to copy and use the Documents and to reproduce the designs and content of them for any purpose related to the Premises including, but without limitation, the construction, completion, maintenance, letting, promotion, advertisement, reinstatement, refurbishment and repair of the Premises. Such licence shall enable the Tenant and its appointee to copy and use the Documents for the extension of the Premises but such use shall not include a licence to reproduce the designs contained in them for any extension of the Premises. The Firm shall not be liable for any use by the Tenant or its appointee of any of the Documents for any purpose other than that for which the same were prepared by or on behalf of the Firm.

6. The Firm shall maintain professional indemnity insurance in an amount of not less than
(insert amount) ONE AND A HALF MILLION Pounds (L1,500,000) for any one occurrence or series of occurrences arising out of any one event for a period
(insert period) of years from the date of practical completion of the Premises under the Building Contract, provided always that such insurance is available at commercially reasonable rates. The Firm shall immediately inform the Tenant if such insurance ceases to be available at commercially reasonable rates in order that the Firm and the Tenant can discuss means of best protecting the respective positions of the Tenant and the Firm in the absence of such insurance. As and when it is reasonably requested to do so by the Tenant or its appointee the Firm shall produce for inspection documentary evidence that its professional indemnity insurance is being maintained.

(insert number of times) [7 This Agreement may be assigned ONCE by the Tenant by way of absolute legal assignment to another person taking an assignment of the Purchaser's/the Tenant's interest in the
(delete if under Scots law) Premises without the consent of the Client or the Firm being required and such assignment shall be effective upon written notice thereof being given to the Firm. No further assignment shall be permitted.]

8 Any notice to be given by the Firm hereunder shall be deemed to be duly given if it is delivered by hand at or sent by registered post or recorded delivery to the Tenant at its registered office and any notice given by the Tenant hereunder shall be deemed to be duly given if it is addressed to "The Senior Partner"/"The Managing Director" and delivered by hand at or sent by registered post or recorded delivery to the above-mentioned address of the Firm or to the principal business address of the Firm for the time being and, in the case of any such notices, the same shall if sent by registered post or recorded delivery be deemed to have been received forty eight hours after being posted.

9 No action of proceedings for any breach of
(complete as appropriate) this Agreement shall be commenced against the Firm after the expiry of years from the date of practical completion of the Premises under the Building Contract.

(delete if under Scots law)

[10 The construction validity and performance of this Agreement shall be governed by English law and the parties agree to submit to the non-exclusive jurisdiction of the English Courts.]

(alternatives, delete as appropriate)

[AS WITNESS the hands of the parties the day and year first before written.

Signed by or on behalf of the Firm

(for agreement executed under hand and NOT as a deed)

in the presence of:

Signed by or on behalf of the Tenant

---

in the presence of:

---]

LATENT DEFECTS PROPOSAL

Unit 88 Milton Park

INSURED VALUES:

Items 1/4	-	Building	(pound)2,035,000
Item 5	-	Disturbance Costs @ 2.5%	(pound) 50,000
			(pound)2,085,000
Item 6	-	Rent 12 months @(pound)300,000 p.a.	(pound) 300,000
			(pound)2,385,000

PREMIUM:

Items 1/5	-	Building/Disturbance Costs	(pound)18,648.24
Deposit			(pound) 2,236.00
Item 6	-	Rent	(pound) 2,246.40
			(pound)23,130.64

NOTES:

Single Premium
12 Years Cover
Building Cover Deductible (pound)20,000
Annual Inflation Cover (Building, only) - 5%
All Premiums inclusive of Insurance Premium Tax at 4%
(Rate may change prior to cover commencing)

COMMERCIAL UNION ASSURANCE COMPANY plc
LATENT DEFECTS POLICY

The Insurers agree (subject to the terms definitions exclusions and conditions of this policy) that if after payment of the premium DAMAGE (as within defined) shall be discovered then the Insurers will pay to the Insured the value of the Property Insured at the time of the discovery of the DAMAGE or the amount of such DAMAGE or at the Insurers' option reinstate or repair such property or any part of it or remedy any defect therein to prevent DAMAGE

Provided that the liability of the Insurers under this policy shall not exceed

i in the whole the total sum insured or in respect of any item its sum insured at the time of the discovery of the DAMAGE

ii the sum insured remaining after deduction for any other DAMAGE unless the Insurers shall have agreed to reinstate any such sum insured

This policy incorporates the Schedule Specification and Endorsements which shall be read together as one contract. Words and expressions to which specific meaning is given in any part of this policy shall have the same meaning wherever they appear

THE SCHEDULE

AGENCY MEPC Insurance Management Limited

BRANCH & AGENT NO. 959 800093UP Policy No.

THE INSURERS: Commercial Union Assurance Company plc

THE INSURED:

ADDRESS

THE PROPERTY INSURED As detailed in the attached Specification

TOTAL SPECIFICATION SUM INSURED (pound)

DEDUCTIBLE:

In respect of

1	Item No. 4	the first(pound)	) Subject to maximum) policy deductible each) incident of DAMAGE) being(pound)
2	Item No. 6	the first(pound)	
3	All other items	the first(pound)	

THE SUM INSURED BY THIS POLICY (pound)

being 100% of the total Specification sum insured

PERIOD OF INSURANCE:

1	For Item 4a	From	
		to	
2	For Items 4b and 4c	From	
		to	
3	For all other items	From	
		to	

PREMIUM(Pound) less deposit of(pound) =(pound)
(inclusive of(pound) Insurance Premium Tax)

BRANCH ADDRESS: 82 Pall Mall, London, SWIY 5HF

THE PROPERTY INSURED

The building situate

ITEM NO.		SUM INSURED
1.	The building excluding property as described in item numbers 2 & 3 occupied as	(pound)
2	Landlord's fixtures and fittings and permanently installed services forming part of the building	(pound)
3	Roads, pavements, car parks, lighting, walls, gates fences and landscaping of the area adjacent to the building but only to the extent of the Insured's liability therefore	(pound)
4	Costs incurred in repairing DAMAGE to the Property Insured discovered during the period of insurance applicable to this item	(pound)
	a in respect of roofs with less than 6% pitch from the horizontal	(pound)
	b in respect of that part of the Waterproofing Envelope below ground level	(pound)
	c in respect of other parts of the Waterproof Envelope	(pound)
5	Costs necessarily and reasonably incurred with the consent of the Insurers for dismantling, moving, removing, returning and re-erecting property not forming part of the building to enable repairs or rebuilding to proceed	(pound)
6	Months rent	(pound)
		(pound)

MEMO
Payment of any claim under Items Nos 2, 3, 5 and 6 is conditional upon payment being made or liability admitted for a claim under Item Nos 1 or 4

MEMO - WAIVER OF RIGHTS OF REDRESS
Notwithstanding Claims Condition 6 the Insurers hereby agree not to pursue any subrogated rights of redress they may accrue against the Lansdown Estates Group's design team and construction managers otherwise than in respect of fraud or fraudulent acts.

DEFINITION

The word DAMAGE, in capital letters, shall mean

1 destruction of or physical damage to

2. threat of imminent collapse of

any portion of the Property Insured for which a Certificate of Practical Completion has been received by the Insurers and for which they have formally confirmed cover directly caused by

a a defect existing prior to the commencement of the Period of Insurance but remaining undiscovered at that date

i in the design or construction of elements essential to the stability and strength of the Property Insured or in the materials used in the construction of such elements

ii in the external walls and roofing of the Property Insured

iii in respect of Item No. 4 of the Specification only - in the design or construction of the Waterproofing Envelope, i.e. the roof, skylights, external walls, cladding, windows, doors and lowest floor or in the materials used in the construction of the Waterproofing Envelope

b subsidence landslip or ground heave of the land on which the Property stands

EXCLUSIONS

This policy does not cover

1 DAMAGE discovered after the relevant period of insurance

2 DAMAGE due to arising from

a. wear and tear

b. inadequate maintenance of the Property Insured

c. abnormal use or overloading of the Property Insured beyond its design capacity

d. normal settlement or bedding down

e. normal shrinkage or expansion of materials used in the construction of the Property Insured

f. change in colour texture or any ageing process of the Property Insured

g. faulty or inadequate weatherproofing except as insured by Item No 4 of the Specification

3. loss or destruction or damage due to or arising from fire, lightning, explosion, earthquake, storm, flood, escape of water from any tank apparatus or pipe whether caused by DAMAGE insured hereby or otherwise

4. the cost of any work for which any contractor is responsible under the defects liability provisions contained in any contract for works after issue of Certificate of Practical Completion or date of hand over whichever is applicable

5. consequential or economic loss of any kind or description except loss of rent when such loss is included in the cover under this policy

6. any property more specifically insured by or on behalf of the Insured

7. loss or destruction or damage caused by pollution or contamination but this shall not exclude destruction of or damage to the Property Insured, not otherwise excluded, caused by

   a. pollution or contamination which itself results from DAMAGE

   b. DAMAGE which itself results from pollution or contamination

8. loss or destruction or damage occasioned by war invasion act of foreign enemy hostilities (whether war be declared or not) civil war rebellion revolution insurrection military or usurped power nationalisation confiscation requisition seizure or destruction by the government or any public authority

9. loss or destruction of or damage to any property whatsoever or any loss or expense whatsoever resulting or arising therefrom or any consequential loss directly or indirectly caused by or contributed to by or arising from

   a ionising radiations or contamination by radioactivity from any nuclear fuel or from any nuclear waste from the combustion of nuclear fuel

   b the radioactive toxic explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof

10. loss or destruction or damage due to or arising from pressure waves caused by aircraft or other aerial devices travelling at sonic or supersonic speeds

GENERAL PROVISIONS

1 CONDITION OF AVERAGE (UNDERINSURANCE)
The sum insured by each item of this policy other than those applying solely to fees or removal of debris is declared to be separately subject to Average

Whenever a sum insured is declared to be subject to Average if such sum shall at the discovery of any DAMAGE be less than the value of the property covered within such sum insured the amount payable by the Insurers in respect of such DAMAGE shall be proportionately reduced

2 DEDUCTIBLES
This policy does not cover the amounts of the deductibles stated in the Schedule in respect of each and every loss as ascertained after the application of all other terms and conditions of the policy including any condition of Average

3 ASSIGNMENT
This policy is assignable to any party acquiring an Insurable Interest in the Property Insured subject to prior notification being received by the Insurers and admitted by them in writing

GENERAL CONDITIONS

1 POLICY VOIDABLE
This policy shall be voidable in the event of misrepresentation misdescription or non disclosure in any material particular

2 RESTRICTIVE AGREEMENTS
The Insured shall not enter into any agreement lease or contract with any party which would limit modify or curtail the fights of the Insurers against third parties without their consent

3 ALTERATION
This policy shall be avoided if there be any alteration modification change of use or addition to the Property Insured whereby the risk of DAMAGE is increased unless admitted by the Insurers in writing

4. REASONABLE PRECAUTIONS
The Insured shall take all reasonable precautions to prevent DAMAGE

5 JURISDICTION
This policy shall be construed in accordance with English Scottish or Northern Ireland law and shall be subject to the exclusive jurisdiction of the appropriate Court of England and Wales Scotland or Northern Ireland and any arbitration hereunder should be held in the United Kingdom of Great Britain and Northern Ireland

The Insurers shall not be liable to the Insured for exemplary or punitive damages in any circumstances whatsoever

CLAIMS CONDITIONS

1 ACTION BY INSURED

A On discovery of DAMAGE the Insured shall

i notify the Insurers immediately

ii carry out and permit to be taken any action which may be reasonably practicable to prevent further DAMAGE

iii deliver to the Insurers at the Insured's expense

a full information in writing of the property destroyed or damaged and the amount of the DAMAGE

b details of any other insurances on any property hereby insured

within 30 days after discovery of the DAMAGE and

c all such proofs and information relating to the claim as may reasonably be required

d if demanded a statutory declaration of the truth of the claim and of any matters connected with it

B No claim under this policy shall be payable unless the terms of this condition have been complied with

2 FRAUD

If a claim is fraudulent in any respect or if fraudulent means are used by the Insured or anyone acting on his behalf to obtain any benefit under the policy or if any DAMAGE is caused by the wilful act or with the connivance of the Insured all benefit under the policy shall be forfeited

3 REINSTATEMENT

If any property is to be reinstated or replaced by the Insurers the Insured shall at his own expense provide all such plans documents books and information as may reasonably be required. The Insurers shall not be bound to reinstate exactly but only as circumstances permit and in a reasonably sufficient manner and shall not in any case be bound to expend in respect of any one of the items insured more than its sum insured

4 INSURERS RIGHTS FOLLOWING CLAIM

On the discovery of DAMAGE in respect of which a claim is made the Insurers and any person authorised by the Insurers may without thereby incurring any liability or diminishing any of the Insurers rights under this policy enter the premises where such DAMAGE has occurred

No property may be abandoned to the Insurers

5 CONTRIBUTION AND AVERAGE

If at the time of discovery of any DAMAGE there is any other insurance effected by or on behalf of the Insured covering any of the property destroyed or damaged the liability of the Insurers hereunder shall be limited to its rateable proportion of such DAMAGE

If any such other insurance shall be subject to any Average (underinsurance) condition this policy if not already subject to any such condition of Average shall be subject to Average in like manner

If any such other insurance is subject to any provision whereby it is excluded from ranking concurrently with this policy either in whole or in part or from contributing rateably the liability of the Insurers under this policy shall be limited to that proportion of the DAMAGE which the sum insured under this policy bears to the value of the property

6 SUBROGATION

Any claimant under this policy shall at the request and expense of the Insurers take and permit to be taken all necessary steps for enforcing rights against any other party in the name of the Insured before or after any payment is made by the Insurers

7 ARBITRATION

If any difference arises as to the amount to be paid under this policy (liability being otherwise admitted) such difference shall be referred to an arbitrator to be appointed by the parties in accordance with statutory provisions. Where any difference is by this condition to be referred to arbitration the making of an award shall be a condition precedent to any right of action against the Insurers

CLAUSES

1 RENT

Any insurance hereby on rent applies only if the said building or any part thereof is unfit for occupation in consequence of DAMAGE and then the amount payable shall not exceed such proportion of the sum insured on rent as the period necessary for reinstatement bears to the term of rent insured

2 FEES

The insurance by Items Nos 1 to 4 includes an amount in respect of Architect Surveyors' Legal and Consulting Engineers' Fees necessarily and reasonably incurred in the reinstatement or repair of Property Insured consequent upon its destruction or damage but not for preparing any claim, it being understood that the amount payable under any item shall not exceed in total its sum insured

3. REMOVAL OF DEBRIS

The insurance by Items Nos 1 to 4 extends to include costs and expenses necessarily incurred by the Insured with the consent of the Insurers in

a removing debris

b dismantling and/or demolishing

c shoring up or propping

of the portion or portions of the Property Insured destroyed or damaged by any peril hereby insured against

The liability of the Insurers under this memo and the policy in respect of any item shall in no case exceed the sum insured thereby

The Insurers will not pay for any costs or expenses:

i incurred in removing debris except from the site of such property destroyed or damaged and the area immediately adjacent to such site

ii arising from pollution or contamination of property not insured by this policy

4 INDEXATION OF SUM INSURED AND DEDUCTIBLE

The sum insured by each of Item Nos 1, 2, 3, 4 and 5 of the Specification and the amount(s) of the Deductible(s) will each be separately increased by 5% compound on each anniversary of the commencement of the period of insurance. For the purpose of any loss settlement the sum insured as adjusted in accordance with the foregoing provisions shall be regarded as the sum insured at the time of the discovery of the DAMAGE

5 REINSTATEMENT (85% AVERAGE)

Subject to the following Special Conditions in the event of DAMAGE the basis upon which the amount payable in respect of Items Nos 1 to 4 is to be calculated shall be the reinstatement of the property destroyed or damaged

For the purpose "reinstatement" means

a the rebuilding or replacement of property destroyed which, provided the liability of the Insurers is not increased, may be carried out

i in any manner suitable to the requirements of the Insured

ii upon another site

b the repair or restoration of property damaged

c the remedy of any defect to prevent DAMAGE

in any case to a condition equivalent to or substantially the same as but not better or more extensive than its condition when new except as necessary to remedy such defect

SPECIAL CONDITIONS

1 The liability of the Insurers for the repair or restoration of property damaged in part only shall not exceed the amount which would have been payable had such property been wholly destroyed

2 If at the time of reinstatement the sum representing 85% of the cost which would have been incurred in reinstating the whole of the property covered by any item subject to this memorandum exceeds its sum insured at the time of the discovery of any DAMAGE, the liability of the Insurers shall not exceed that proportion of the amount of the DAMAGE which the said sum insured shall bear to the sum representing the total cost of reinstating the whole of such property at that time

3 No payment beyond the amount which would have been made payable in the absence of this memorandum shall be made

a unless reinstatement commences and proceeds without unreasonable delay

b until the cost of reinstatement shall have been actually incurred

c if the property insured at the time of its loss destruction or damage shall be insured by any other insurance effected by or on behalf of the Insured which is not upon the same basis of reinstatement

4 All the terms and conditions of the policy shall apply

a in respect of any claim payable under the provisions of this memo except in so far as they are varied hereby

b where claims are payable as if this memo had not been incorporated

6 PUBLIC AUTHORITIES

Subject to the following Special Conditions the insurance by Items Nos 1 to 4 of this policy extends to include such additional cost of reinstatement of the destroyed or damaged property thereby insured as may be incurred solely by reason of the necessity to comply with Building or other Regulations under or framed in pursuance of any Act of Parliament or with Bye-Laws of any Public Authority excluding

a the cost incurred in complying with any of the aforesaid Regulations or Bye-Laws:

i in respect of the discovery OF DAMAGE occurring prior to the granting of this extension

ii in respect of loss destruction or damage not insured by the policy

iii under which notice has been served upon the Insured prior to the discovery of the DAMAGE

iv in respect of undamaged property or undamaged portions of property other than foundations of that portion of the property destroyed or damaged

b the additional cost that would have been required to make good the property lost destroyed or damaged to a condition equal to its condition when new had the necessity to comply with any of the aforesaid Regulations or Bye-Laws not arisen

c the amount of any charge or assessment arising out of capital appreciation which may be payable in respect of the property or by the owner thereof by

SPECIAL CONDITIONS

1 The work of reinstatement must be commenced and carried out without unreasonable delay after the discovery of the DAMAGE and may be carried out upon another site (if the aforesaid Regulations or Bye-Laws so necessitate) subject to the liability of the Insurers under this extension not being thereby increased

2 If the liability of the Insurers under any item of the policy apart from this extension shall be reduced by the application of any of the terms and conditions of the policy then the liability of the Insurers under this extension in respect of any such itern shall be reduced in like proportion

3 The total amount recoverable under any item of the policy shall not exceed its sum insured

4 All the terms and conditions of the policy except in so far as they are varied hereby shall apply as if they had been incorporated herein

5 Interim payments will be available following sectional completion of reinstatement work.

GLANVILLE PROJECTS
Corinthian Court, 80 Milton Park Abingdon, Oxford OX14 4RY

Telephone: 01235 821010 Fax:01235 835492
e-mail: glanville_milt@compuserve.com

Our Ref: MS/AMB/GP706

13th October 1998

Milton Park Limited
Corinthian Court
80 Milton Park
Abingdon
Oxon OX14 4RY

FOR THE ATTENTION OF HUGH RICHARDS

Dear Hugh

86 - 88 MILTON PARK, ABINGDON

As discussed, please see the proposed roller shutter door details as follows:

- Dimension of 3985 mm x 3500 mm
- Heavy Duty
- Profile HR116 double-skinned
- Smooth Aluminium Finish
- Colour RAL 7032 'Pebble' (finish both sides in a tough top grade paint)
- Electrically operated
- 3 Phase supply
- ZAK System
- Safety edge

For further detailed specification, please see the manufacture's brochure.

Delivery/installation is eight weeks from finalised details being agreed and order being placed.

If you require any further information please do not hesitate to contact me.

Yours sincerely

/s/Mark Sperring
- ----------

MARK SPERRING
CONSTRUCTION MANAGER

ESTATE REGULATIONS

These regulations are imposed by the Landlord and affect the whole of the Estate

1. No open storage of materials or pallets shall be permitted on the Premises.

2. All rubbish and waste materials shall be placed in proper receptacles in an area designated by the Landlord and not be allowed to accumulate. No waste materials shall be burnt within the Estate.

3. No smoke or fumes or noxious smells shall be emitted from the Premises so as to cause in the opinion of the Landlord or its surveyors annoyance or interference with the proper enjoyment of adjoining premises of the Landlord or its tenants or of the premises adjoining or near the Estate.

4. The Tenant must not use industrial machinery engines and equipment so as to cause excessive noise dust or nuisance. Any excess which in the opinion of the Landlord's Surveyor is causing annoyance to adjoining tenants of the Landlord or to the occupiers in the vicinity shall be abated immediately upon notice.

5. No mechanically operated vehicles, cycles, hand trucks or trailers shall be parked or left unattended outside areas properly reserved for such parking or in such manner as to obstruct roadways into or on the Estate nor so as to prevent ingress and egress of fire fighting equipment round the curtilage of a building or buildings erected thereon and not to cause any obstruction on any of the common parts of the Estate by parking vehicles or leaving goods thereon.

6. The Tenant must secure all buildings comprised in the Premises by locking all windows and doors therein for the purpose of ensuring proper security and to reduce the risk of the spread of fire.

7. The Tenant must not load or off-load vehicles except within the curtilage of the Premises.

8. The Tenant must not store inflammable materials, explosive substances or liquids except in proper containers or receptacles properly labelled and signed all in accordance with the regulations of all competent authorities and to the satisfaction of the Landlord's insurers and in any event not abutting any boundary fences or other adjoining property of the Landlord.

9. Any external lighting within the curtilage of the Premises is to be maintained in good condition and fully operate during night time working hours.

10. Traffic Regulations as shown by road signs must be observed including parking and speed limits.

11. Care and consideration must be given to pedestrians and others using Estate roads.

12. All vehicles on the Estate are at the owner's risk and the Landlord will not be liable for damage or theft or any other hazard.

13. The Tenant shall at all times insofar as it lies within its power take all such steps as are necessary to ensure that all vehicles (except private cars and light vans with a carrying capacity of less than 15 cwt.) shall when leaving the Estate (a) by the Potash Lane entrance under all circumstances turn Southwards away from the village of Milton and (b) by the Harwell Lane entrance under no circumstances tum northwards towards the village of Sutton Courtenay. Such vehicles shall at no time travel over any part of those sections of Potash Lane and Harwell Lane which run between the two entrances to the Estate and the villages of Milton and Sutton Courtenay respectively likewise the Tenant shall take all such steps as are necessary to ensure that all such vehicles when returning to the Estate shall under no circumstances travel over any part of the above mentioned sections of Potash Lane and Harwell Lane.

14. Animals must be kept under proper control.

15. The playing of games is prohibited on the roadways and other areas and in the interests of safety boating, swimming and paddling in the lakes is also prohibited

16. The Tenant is to ensure that employees familiarise themselves with the procedure in case of fire and the use of fire telephone and fire appliances.

17. If any fire appliance or other safety equipment provided by the Landlord is used or found to have been damaged this fact must be reported to the Landlord's Security Officer at the Information Building.

18. All goods brought into the Estate area at the owner's risk.

19. Personnel must confine themselves to their own employer's premises and areas of common use on the Estate.

20. No vehicle of any description shall be driven on or over any roads on the Estate by any person who does not at the relevant time possess a valid licence entitling him to drive that class of vehicle on a public highway.

[VERTEX LETTERHEAD]

November 2, 1998

MILTON PARK LIMITED
CORINTHIAN COURT
80 MILTON PARK
ABINGDON
OXFORDSHIRE
OX14 RY

Re: PROPOSED AGREEMENT FOR LEASE AND LEASE (THE "TRANSACTION DOCUMENTS") BETWEEN MILTON PARK LIMITED (THE "LANDLORD"), VERTEX PHARMACEUTICALS (EUROPE) LIMITED (THE "TENANT") AND VERTEX PHARMACEUTICALS INCORPORATED (THE "COMPANY") FOR UNIT 88. THE FORUM MILTON PARK ABINGDON OXFORDSHIRE (THE "PREMISES")

Dear Sirs:

The undersigned has acted as counsel to the Company in connection with its guarantee of the obligations of Vertex Pharmaceuticals (Europe) Limited under the Transaction Documents.

I have reviewed the Transaction Documents, the Restated Articles of Organization of the Company and the By-Laws of the Company. I have also examined such other documents and records and have performed such investigation as to matters of fact and law as I have deemed necessary or appropriate for the purpose of this opinion. With respect to certain matters of fact, I have relied upon representations of the officers of the Company.

In my examination, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity with the original documents of all documents submitted to me as copies or facsimiles, and the authenticity and completeness of the originals of such latter documents. I have assumed the due authorization and execution by the Landlord and Tenant of the Transaction Documents. I have assumed (without independent verification) that the Landlord has full power and authority to enter into, execute and deliver the Transaction Documents and perform its obligations thereunder and the conditions thereof in accordance with their terms.

I am member of the bar of the Commonwealth of Massachusetts and I express no opinion as to any matters insofar as any laws other than the laws of the Commonwealth of Massachusetts may apply. This opinion is given subject further to the qualification that enforcement of the Transaction Documents may be affected by events or changes in the law of the Commonwealth of Massachusetts occurring after the date of this opinion, and I disclaim any obligation to advise you of any such events or changes in the law which might affect any matters or opinions set forth herein.

Based upon the foregoing, and subject the qualifications and exceptions herein contained, I am of the opinion that:

1. The Company is a corporation duly organized and existing, under the laws of the Commonwealth of Massachusetts and has the corporate power to carry on its business as it is now being conducted and to own its property and other assets.

2. The Company has the corporate power and legal capacity to enter into, execute and deliver the Transaction Documents and to perform all its obligations under the Transaction Documents.

3. The execution and delivery of the Transaction Documents by the Company has been duly authorized by all necessary corporate action of the Company.

4. Execution of the Transaction Documents by Richard H. Aldrich, Senior Vice President and Chief Business Officer of the Company, on behalf of the Company, will constitute and operate as due execution thereof.

5. When the Transaction Documents are duly executed and delivered by the Company, they will be legally binding and enforceable against the Company in the Commonwealth of Massachusetts in accordance with their terms, subject to the qualifications in paragraph 14 below. The performance by the Company of its obligations under the Transaction Documents will not result in the creation or imposition of any lien, charge, security or encumbrance upon any of its assets or properties under the law of the Commonwealth of Massachusetts.

6. The execution, delivery of the Transaction Documents by the Company and performance of the Company's obligations thereunder will not result in any breach of or default under any provisions of Massachusetts law or under any decree of any Massachusetts governmental authority, agency or court or, to my actual knowledge, under any instrument or under any deed or contract to which the Company is a party at the date hereof or which at the date hereof binds any of the Company's property or other assets.

7. No taxes of the Commonwealth of Massachusetts are imposed by withholding or otherwise on any payment which may become due from the Company under the Transaction Documents.

8. Every consent, authorization, license or approval of, or registration with or declaration to, any governmental or public bodies or authorities or courts required by the Company in connection with the execution, delivery, validity, admissibility in evidence or, subject to the qualifications set forth in paragraph 14 below,
the enforceability of the Transaction Documents or the performance by the Company of its obligations under the Transaction Documents including (without limitation) all payments which may become due from the Company in accordance with the provisions of the Transaction Documents have been obtained or made and are in full force and effect.

9. Neither the Company, nor any of its assets, is entitled to immunity on the grounds of sovereignty or otherwise from any legal action or proceeding.

10. It is not necessary to ensure the legality, validity, admissibility in evidence or, subject to the qualifications set forth in paragraph 14 below, enforceability of the Transaction Documents that it or any other instrument be notarized, filed, recorded, registered or enrolled in any court, public office or elsewhere in the Commonwealth of Massachusetts or that any stamp, registration or similar tax or charge be paid in the Commonwealth of Massachusetts on or in relation to the Transaction Documents.

11. The Company has the legal capacity to contract to be bound by the choice of English law in the Transaction Documents and to submit irrevocably to the jurisdiction of the English Courts under the terms of the Lease, and such a choice of law and submission to jurisdiction and the irrevocable agreement by the Company to accept service of process by leaving documents at the registered office of the Tenant will be recognized as valid under the law of the Commonwealth of Massachusetts.

12. Any final judgment against the Company for a sum of money or order for specific performance of the Company's obligations under the Transaction Documents issued by a court of the Commonwealth of Massachusetts will be enforceable against the Company under the law of the Commonwealth of Massachusetts, subject to the qualifications set forth in paragraph 14 below.

13. At the date of this letter, to my actual knowledge, without having made any search or investigation of the records of any court, governmental agency or other body, no litigation, arbitration or other legal proceedings have been commenced before and no judgment or award has been given or made by any court, tribunal or government agency involving the Company which would (if adversely determined) be likely to have a materially adverse effect on the Company's ability to observe and perform its obligations under the Transaction Documents or which in any way disputes or calls into question the power or authority of the Company to enter into and perform any such obligations.

14. My opinions in paragraphs 5, 8, 10 and 12 with regard to the enforceability of the Transaction Documents are subject to the qualifications that such enforceability may be limited by (i) any applicable bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or similar laws relating to or affecting the rights or remedies of creditors generally which may be in effect from time to time, (ii) general principles of equity (regardless of whether considered in a proceeding in equity or at law) (iii) duties and standards imposed on creditors and parties to contracts, from time to time, including, without limitation, requirements of good faith, reasonableness, fair dealing and diligence, and (iv) and by equitable principles of general application (regardless of whether such equitable principles are considered in an action at law or in equity), including concepts of materiality, and by possible limitations on certain remedial provisions contained therein. The aforesaid opinions as to enforceability of the Transaction Documents are also subject to the qualification that certain provisions contained in the Transaction Documents may not be enforceable, but (subject to the limitations set forth in the

foregoing clauses (i) and (ii)) such unenforceability will not render the Transaction Documents invalid as a whole or substantially interfere with realization of the principal benefits provided thereby. Further, I express no opinion as to the validity or enforceability of any provision in the Transaction Documents (i) relating to the rights of the Landlord to collect any payment which is in the nature of or could be construed to be a penalty, (ii) that may be deemed or construed to waive any constitutional or statutory right of the Company that may not lawfully be waived, (iii) relating to submission by the Borrower to the jurisdiction of English courts to the extent that a court has discretion to assume or decline such jurisdiction, (iv) relating to the severability of any provision of the Transaction Documents, (v) purporting to relieve parties of the consequences of their own negligence or misconduct, or (vi) granting indemnity to the extent that public policy considerations or court decisions may limit the rights of Landlord to obtain indemnification.

This opinion is given solely in relation to the matters referred to herein and for your benefit and for the benefit or your successors in title and assigns to the Premises referred to in the Transaction Documents. It may not be quoted, passed to or relied upon by any other person or for any other purpose.

Very truly yours,

/s/Sarah P. Cecil

Sarah P. Cecil
Corporate Attorney

Vertex Pharmaceuticals (Europe)
Ltd
5 Cheapside Court
Buckhurst Road
Ascot Berks SL5 7RF

Milton Park Limited
Corinthian Court, 80 Milton Park
Abingdon, Oxfordshire OX14 4RY

Telephone (01235)865555
Fax (01235) 865560
www.miltonpark.co.uk

Dear Sirs

4th November 1998

UNIT 88 MILTON PARK ABINGDON OXFORDSHIRE ("THE PROPERTY")

We are writing to approve in principle your proposed works at the Property as set out on the attached specification and drawings. Our approval is in principle only at this stage and final approval to your works will only be given by way of our formal Licence for Alterations. The following terms must be complied with.

1. Prior to any work commencing at the Property, detailed plans and specification of your final proposal for your works are supplied to us and we have given our approval, which is not to be unreasonably withheld or delayed, to such proposals.

2. Prior to any work commencing at the Property, a formal Licence for the carrying out of the works is entered into by you and by Vertex Pharmaceuticals Incorporated in such form as we shall reasonably require.

3. You will not commence the carrying out of the works. until you have received all necessary planning and other necessary consents, and that all works shall comply with building regulations and all other appropriate regulations or codes of practice.

4. You will give prior notice to us of the date of commencement of your works.

5. If commenced the works shall be carried out to a professional standard with good quality materials and to our reasonable satisfaction.

6. Any variation to the proposed works shall require our prior consent which shall not be unreasonably withheld or delayed.

7. The work and all associated contractors vehicles, plant, materials and personnel shall not interfere with or cause nuisance to any neighbouring property or occupier.

8. Notwithstanding the provisions and without prejudice to the Agreement for Lease and Lease due to be entered into between us, that any damage caused to property owned by Milton Park Limited (including hard and soft landscaping areas) in carrying out the works shall be made good as soon as is practicable after such damage is caused.

9. Where practicable, all contractors vehicles, plant and materials shall be located in the car park area to the north of the Property.

10. [????????] to be entered into between us.

11. That a full height (ground floor slab to underside of first floor concrete plank) high density block wall (or similar) shall be built along the line of the cladding panels and glazing panels in the area marked "Animal Cage Room" on the plan attached, and adequately tied into the structure of the Property so as to provide additional security against a break in to this part of the Property.

Please acknowledge receipt of this letter by signing and returned the enclosed duplicate.

Yours faithfully

/s/
- ---------------------------------
FOR AND ON BEHALF OF MILTON PARK LTD

- ---------------------------------
signed by Vertex Pharmaceuticals (Europe) Ltd in acceptance of the terms of this letter.

[CHART]

[CHART]

GENERAL SPACE ALLOCATION (24,000 sf)

60-70% Laboratories
20-25% Offices
10-15% Other

LABORATORY REQUIREMENTS

CHEMISTRY LABORATORY (3000 sf)

100% outside fresh air system with no recirculation
72-80 lnft of bench space with reagent shelves above and base cabinets below
Bench tops to be made of epoxy resin or chemical resistant material
3-4 stainless steel sinks in each lab
Fume cupboards to be 2 m wide at face with face velocities of 75-100 lfpm with sufficient make-up air systems to support this operation. 24 fume cupboards total.
40 lnft of bench space along walls or other areas for HPLC's and similar equipment
Central (house) nitrogen line on each hood and bench
Central (house) nitrogen line on each equipment bench
Compressed air to each module, with drops at equipment benches
Central vacuum to each bench/hood
Deionized water outlet at each sink
Electrical requirements: approx 240-260 amps per lab with 2 circuits/bench, 2 circuits/fume cupboard, 8 general circuits per room
Eye-wash safety shower combination unit

CHEMICAL & SOLVENT STORAGE ROOM (500 sf)

100% exhaust
Non-flammable chemicals to be stored via compatibility class in cabinets and shelves
Localized extraction system for stored chemicals
Flammable chemicals to be stored in flammable storage cabinet that meet local fire codes

THESE REQUIREMENT DESCRIPTIONS AND SPECIFICATIONS ARE PRELIMINARY AND NOT ALL INCLUSIVE OF THE FINAL DESIGN SPECIFICATIONS TO BE INCLUDED IN VERTEX FIT-OUT OF 88 MILTON PARK. THIS DOCUMENT IS INTENDED FOR CONCEPTUAL REVIEW AND APPROVAL FROM MILTON PARK LIMITED IN ORDER FOR VERTEX TO OBTAIN APPROVAL TO PROCEED WITH, GENERAL FIT-OUT PLAN OF 88 MILTON PARK.

BIOLOGY LABORATORY (3000 sf)

Air supply 70% exhaust/30% recirculated
120 lnft bench space (epoxy) per lab with reagent shelves above and base cabinets below
1-2 chemical fume cupboards, galvanized ductwork. Fume hood 1-2m wide at face with face velocity of 80-90 lf pm
Central (house) nitrogen line (high pressure) on each equipment bench
Deionized water outlet in each sink
Electrical requirements: 2 circuits/bench, 1 circuit/fume cupboard, 4-208/30/30a circuits, 6-8 general circuits throughout
3-4 stainless steel sinks
Eye wash safety shower combination unit

COMMON EQUIPMENT SPACE (2000 sf)

Up to 70% recirculated air

80 lnft bench space with base cabinets and reagent shelves

Special electrical requirements based on equipment
- 208 v 20 amp circuits
- 208 v 30 amp circuits
- 110 dedicated circuits (amperage varying from 20-60)

Emergency power outlets on each bank of outlets, if available

Approximately 30-35% of space for common equipment. Number of outlets, emergency circuits, other needs to be determined. Equipment includes freezers, refrigerators, centrifuges, shakers, spectrophotometers, scintillation counters, gamma counters, lyophilizers.

COLD ROOM (150 sf)

Approximate size 12' x 12'
1 or 2 walk-in cold rooms, prefabricated unit with condensers independent of main building system.
+4(degree)C cold room
House Nitrogen hook-up (100PSI)
10 lnft of bench space
02 level alarm

ANIMAL PHARMACOLOGY LAB (3000 sf)

ANIMAL ROOM

- 100% exhaust with humidity controlled to 45 to 58%
- Climate controlled room to be maintained between 68%--72 (degree) F, with failure alarm
- Sheet vinyl flooring with coved edges, sealed on all ends for all associated rooms.
- Diurnal light cycle timer
- Separate exhaust system, with emergency power, to provide 50 lfpm for each animal housing unit, with loss of ventilation alarm
- 10-12 animal cage housing units with 100 cfm exhaust per unit (1800 cfm total)
- Task lighting for benches to be used during dark cycles
- Two surgery rooms to be physically isolated from main room with bench top and sink with foot-controlled system. Counter to be 10-15 lnft.
- Cage wash area to have stainless counter and sink, with small cage washing machine.
- Supply storage room (150 sf)
- Deionized water to be made available for washer. Outlet at sink also.
- Smaller "dirty animal cage room for isolation work, size as noted on plans.
- All areas to be in compliance with Home Office requirements

PHARMACOLOGY LAB

- Similar in design and specification to Biology Lab

DARKROOM (200 sf)

- Sheet vinyl flooring, sealed on ends
- Spiral door 36" diameter, removable
- 110 dedicated circuit 20 amp
- Developer hard piped to drain, with back flow preventer and chemical recovery (Hg) unit
- Wall to have pass-through for film developer
- Safe-light for darkroom use
- Stainless steel sink 3 foot, separate drain from developer
- Safebin storage for films
- 12 lnft bench acid resistant, w/base cabinets and reagent shelves
- Paint to be non-glare and dark to avoid light reflection.
- Low bench (30"D x 4'W x 29"H) for Land Camera (Polaroid MP-4)

RADIOISOTOPE LAB (400 sf)

- Dedicated 100% exhaust fume cupboard (-1m) with charcoal filter unit (75-90 lfpm)
- Dedicated electrical outlets (20 amp circuit) for fume cupboard
- Refrigerator and freezer (under counter) with emergency power
- Emergency power for fume cupboard
- 20 lnft bench with stainless steel top
- Three (3) foot stainless steel sink, w/deionized water
- 110 v 20 amp dedicated outlets

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SPECIALIZED INSTRUMENT ROOMS

NMR Suite

NMR Room/Suite specifications to be determined pending choice of equipment and requirements for magnetic field.

PROTEIN NMR 400

Space requirements (25' x2O')
2-110 V dedicated outlet
208V/30/20 amp circuit
Nitrogen (high pressure 50-90 psi)
Vibration platform
12 foot ceiling clearance

COMPUTER MODELING

Standard office space, approx 500 sf, for graphics computers. Final specifications TBD pending choice of equipment

CRYSTALLOGRAPHY LAB

Space requirements (500 sf)
Generator 208 V, 30 amp single phase
Rotating Anode 208 V, 50 amp three phase & 115 V, 15A, single phase
Cold water (40 psi)
Auxiliary space for chiller and pumps.
Reinforced floor 100-150 lbs/sf
Task lighting over each generator
Helium line (1/2" line)
House nitrogen line
Liquid nitrogen insulated lines from central bulk tank

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CENTRAL STORAGE AND SATELLITE STORAGE

CENTRAL STOCKROOM/STORAGE AREA

All general lab supplies and other small laboratory items

HAZARDOUS WASTE ROOM

Specifications and final contents to be determined

RADIOACTIVE WASTE STORAGE ROOM

Specifications to be determined per review of guidelines

CENTRAL GAS CYLINDERS STORAGE AREA

Gas cylinder racks
Centralized C02 gas manifold

BULK NITROGEN STORAGE AREA

400-600 gallon liquid nitrogen storage tank located in enclosed area outside loading dock

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CENTRAL FACILITIES

MECHANICAL ROOM / PLANT SPACE

House vacuum delivered to all laboratories 22 to 28 in/Hg capacity, TBD
Deionized water system with regeneration tanks, etc. Capacity TBD
Outlets at all laboratory sinks, glasswash sinks, glass washers, equipment room sinks, isotope room, darkroom, and specialty equipment rooms where needed.
Central fire system
Electrical requirements (estimated) (19-28 watts/sf)
2-3 watts/sf in labs
1-2 watts/sf in offices
10-15 watts/sf for lab and lab support power. Could be higher based on specialized equipment rooms requirements.
6-8 watts/sf for HVAC
Connected Load vs. Demand Load to be determined

Primary electrical supply upwards of 750-1000 kVA
Chillers for building air conditioning (size TBD)
Cooling towers as required
Distribution system for helium to crystallography and to analytical laboratories
Distribution system for C02 to tissue culture/immunology laboratories
Connection to existing Bulk nitrogen tank for central nitrogen distribution system to all laboratories.
Stand-by generator to be sized appropriately (possibly located near new substation)
UPS for NMR and computer equipment, sized for 100 amps for 5 minutes
Air compressor size TBD
Hot water boilers
Hot water system, size TBD
Central building security system
Central telecommunications distribution room

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ADMINISTRATIVE OFFICES

Offices for administrative functions in Research and Business Development

Administration support area to be open cubicle arrangement

- File Storage Room
- Copier Room
- Telecommunications Room
- Mail Room

Conference Rooms as space allows, throughout laboratory and offices spaces

LABORATORY OFFICES AND WORK SPACES

R & D WORK SPACE

Staff Scientist space as offices where it can be accommodated
Multi-discipline partition area for remaining staff
General interaction areas throughout as allowed

GENERAL SPACE

LECTURE HALL (FIRST FLOOR OF OFFICE SPACE)

Capable of accommodating 50-80 people
Projection room as required
Room darkening system to eliminate window light as determined

LUNCH ROOM

Space with small kitchen for 20-30 people
No food service option, but small food prep area for employees

RECEPTION

Main entrance for employees and frequent visitors on ground floor
Reception located on first floor adjacent to core area
Main security entrance

EMPLOYEE ENTRANCE

Back of building near rear core
Card access or other secured access system

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VALE OF WHITE HORSE
Planning & Engineering Department

BUILDING REGULATIONS

BUILDING ACT 1984 Building Regulation Number: 98/0010 l/OTHN1

NOTICE OF PASSING OF BUILDING PLANS

APPLICANT: MILTON PARK LTD
C/O GLANVILLE AND ASSOCIATES
CORINTHIAN COURT
80 MILTON PARK
ABINGDON OX14 4RY

PROPOSAL: ERECTION OF THREE NEW UNITS 86,87 AND 88

LOCATION: SITE OF
88 MILTON PARK
MILTON
ABINGDON
OXON
OX14 4RY

Plans were deposited with this Local Authority on the 24.03.1998 as in accordance with the Building Regulation 1991 Regulation 11 (1) (b) under plan reference number.

Notice is hereby given pursuant to the Building I Act 1984 Section 16 that the said plans were passed on

Date: 11.09.1998 /s/

Chief Planning & Engineering Officer

If the proposed work is not commenced within 3 years of the deposit of the plans, the council may give notice that the said plans shall no longer have effect, in accordance with the Building Act 1984 Section 32.

Notice is required of commencement and other appropriate stages of work.

This Notice is valid only for the purposes of the Building Regulations 1991 and does not constitute an approval for any other Statutory requirement whatsoever.

Proposed work within the meaning of Town and Country Planning Acts for which express planning permission is necessary, may not proceed until such permission is obtained

NOTICE OF COMMENCE AND COMPLETION OF CERTAIN STAGES OF WORK

14.(1) A person who proposes to carry out building work shall not commence that work unless. (a) he has given the local authority notice that he intends to commence work; and (b) at least two days have elapsed since the end of the day on which he gave the notice.

(2) A person carrying out building work shall not.

(a) cover up any excavation for a foundation, any damp-proof course or any concrete or other material laid over a site; or

(b) cover up in any way drain or sewer to which these regulations apply, unless he has given the local authority notice that he intends to commence that work, and at least one day has elapsed since the end of the day on which he gave the notice.

(3) A person who has laid, haunched or covered any drain or sewer in respect of which part H of the schedule 1 (drainage and waste disposal) imposes a requirement shall give notice to that effect to the local authority not more than five days after the completion of the work.

(4) A person carrying out building work shall, not more than five days after that work has been completed, give the local authority, notice to that effect.

(5) Where a building is being erected, and that building (or any part of it) is to be occupied before completion, the person carrying out that work shall give the local authority at least five days notice before the building or any part of it is occupied.

(6) Where a person fails to comply with paragraphs (1) to (3), he shall comply within a reasonable time with any notice given by local authority requiring him to cut into, lay open or pull down so much of the work as prevents them from ascertaining whether these regulations have been complied with.

(7) If the local authority have given notice specifying the manner in which any work contravenes the requirements in these Regulations, a person who has carried out any further work to secure compliance with these regulations shall within a reasonable time after completion of such further work give notice to the local authority of its completion.

(8) In this regulation "day" means any period of 24 hours commencing at midnight and excludes any Saturday, Sunday, Bank holiday or public holiday.

VALE OF WHITE HORSE

PLANNING & ENGINEERING DEPARTMENT

TOWN AND COUNTRY PLANNING ACT 1990

NOTICE OF PERMISSION

To: Lansdown Estates Group Ltd
c/o Granville Projects
80 Milton Park
Abingdon Oxon OX14 4RY

Application No: MIL/59/122

Proposal: Demolition of 88 Milton Park, and erection of proposed B1/or B8 development.

Address: 88 Milton Park
Milton
Abingdon
Oxon
OX14 4RY

DATE OF DECISION: 14th April 1997

The Vale of White Horse District Council, in pursuance of powers under the Above Act, hereby PERMIT the above development to be carried out in accordance with the application and accompanying plans submitted by you, subject to compliance with the conditions specified hereunder.

1. THE DEVELOPMENT TO WHICH THIS PERMISSION RELATES SHALL BE BEGUN WITHIN A PERIOD OF FIVE YEARS FROM THE DATE OF THIS PERMISSION.

2. THE DEVELOPMENT SHALL BE LANDSCAPED IN ACCORDANCE WITH A SCHEME WHICH SHALL BE SUBMITTED TO AND APPROVED IN WRITING BY THE DISTRICT PLANNING AUTHORITY BEFORE THE DEVELOPMENT COMMENCES AND SHALL ENSURE:

a) THE RETENTION OF SELECTED EXISTING TREES AND SHRUBS ON THE SITE;

b) THE PROTECTION OF THE SELECTED EXISTING TREES AND SHRUBS ON THE SITE DURING THE DEVELOPMENT OF THE SITE;

c) THE CARRYING OUT OF ANY EARTH MOVING OPERATIONS CONCURRENTLY WITH THE CARRYING OUT OF THE BUILDING AND OTHER WORKS;

d) COMPLETION OF THE SCHEME DURING THE PLANTING SEASON NEXT FOLLOWING THE COMPLETION OF THE BUILDING(S), OR SUCH OTHER DATE AS MAY BE AGREED IN WRITING WITH THE DISTRICT PLANNING AUTHORITY;

[GRAPHIC OMITTED]

E) THE MAINTENANCE OF THE LANDSCAPED AREAS FOR A PERIOD OF FIVE YEARS OR UNTIL ESTABLISHED, WHICHEVER MAY BE LONGER. ANY TREES OR SHRUBS REMOVED, OR WHICH IN THE OPINION OF THE DISTRICT PLANNING AUTHORITY, ARE DYING, BEING SEVERELY DAMAGED OR BECOMING SERIOUSLY DISEASED WITHIN FIVE YEARS OF PLANTING, SHALL BE REPLACED BY TREES OR SHRUBS OF SIMILAR SIZE AND SPECIES TO THOSE ORIGINALLY REQUIRED TO BE PLANTED.

3. PRIOR TO THE FIRST USE OF ANY BUILDING, THE CAR PARKING AREA SHOWN ON THE APPROVED PLAN REFERENCE (406/002E) SHALL BE CONSTRUCTED, DRAINED, LAID AND MARKED OUT IN ACCORDANCE WITH THE SPECIFICATION OF OXFORDSHIRE COUNTY COUNCIL FOR SUCH WORKS. THEREAFTER THE AREA SHALL BE KEPT PERMANENTLY FREE OF ANY OBSTRUCTION TO SUCH USE.

The reasons for the Council's decision to grant permission for the development subject to compliance with the conditions hereinbefore specified are:

1. TO COMPLY WITH THE REQUIREMENTS OF SECTION 91 OF THE TOWN & COUNTRY PLANNING ACT, 1990.

2. TO ENSURE THE IMPLEMENTS OF A SATISFACTORY SCHEME OF LANDSCAPING WHICH WILL IN DUE COURSE IMPROVE THE ENVIRONMENTAL QUALITY OF THE DEVELOPMENT AND SOFTEN ITS IMPACT ON THE AREA.

3. IN THE INTEREST OF HIGHWAY SAFETY

/S/

Chief Planning and Engineering officer

[GRAPHIC OMMITTED]

MILTON PARK SUMMARY OF INSURANCE
GUARDIAN POLICY 5OU009645
PERIOD 1.10.98 TO 30.9.99

GENERAL NOTE

The policy operates following insured damage to "buildings" where responsibility for repair/reinstatement rests solely with Milton Park Limited

INSURED

Milton Park Limited

PROPERTY INSURED

BUILDINGS, INCLUDING:
-Landlords Fixtures and Fittings

-Small outside buildings extensions annexes gangways loading bays service area yards car parks roads pavements walls gates fences street furniture and landscaping

-Professional Fees

-Debris removal costs

-Services - mains, cabling drains etc, and accessories, extending to the perimeter of the premises or to the public mains

-Metered water

LOSS RENT - 3 YEARS, INCLUDING:

-Rent Receivable

-Monies payable for accommodation and services

-Automatic cover for rent increases during insurance year

INSURED DAMAGE

Fire

Lightning

Explosion

Aircraft

Riot & Civil Commotion

Malicious Damage

Earthquake or Subterranean Fire

Storm, Tempest or Flood, EXCLUDING
- damage by frost
- damage to fences, gates and moveable property in the open

Burst Pipes

Impact

Sprinkler Installation Leakage

Theft (other than normally insurable under tenants policies)

Subsidence, landslip or heave, EXCLUDING
- normal settlement or bedding down of new structures
- settlement or movement of made-up ground
- coastal or river erosion
- damage occurring, whilst the property is in course of erection or undergoing demolition,structural alteration or repair
- damage attributable solely to change in water table level

Accidental Damage, EXCLUDING
- breakage of plate glass in shop fronts
- faulty or defective design materials
- inherent vice or latent defect
- gradual deterioration or wear and tear
- faulty or defective workmanship
- corrosion, rust wet rot, dry rot, vermin, diseases, marring or scratching joint leakage or failure of welds
- cracking, fracturing collapse or overheating of boilers economisers and similar plant
- mechanical or electrical breakdown or derangement
- pollution or contamination
- disappearance or unexplained loss
- collapse or cracking

Terrorism

Limited cover (pound)100,000 available under Sun Alliance policy.

Full cover placed with Pool Reinsurance Co. Limited at an additional premium

POLICY EXCESS (Buildings cover only)

1.	Malicious Damage, Storm, Tempest, Flood, Burst Pipes, Accidental Damage	(pound)100
2.	Vacant Properties - Damage as in 2 and Theft	(pound)250
3.	Impact by vehicles owned by or under control of insured	(pound)100
4.	All other Damage	NIL

MAIN POLICY CLAUSES

Average	-	requirement to insure for full value
Reinstatement	-	basis of cover is cost of reinstating damage
Day One Basis	-	reinstatement cost of buildings assessed at each annual renewal of policy ("Declared Value")--policy sum insured extends to 150% of Declared Value to cover inflation
Non-Invalidation	-	policy cover not prejudiced by increase in risk occurring without authority or knowledge of Insured (i.e. tenants actions)
Other Interests	-	automatically noted (where required)
Public Authorities	-	additional cost of reinstatement included to comply with building regulations
Workmen	-	policy not prejudiced by routine works being carried out to buildings
Unoccupancy	-	Insurer requires notice of a building being unoccupied for more than three months (satisfied by quarterly declaration to insurer)
Subrogation Waiver	-	Insurer agrees to waive these rights against legitimate occupier
Extinguishment Expenses	-	costs legitimately incurred in fire fighting (e.g. recharging fire extinguishers)
Theft of Keys	-	expenses incurred to replace locks etc.
Prevention Of Access (Rent Cover)	-	Interruption of use following Damage at nearby property
General Exclusions	-	Nuclear risk, Sonic Bank, War

MILTON PARK,LIMITED

INSURANCE 1.10.98 TO 30.9.99

TENANT	Vertex Pharmaceuticals (Europe) Limited	
PROPERTY	MILTON PARK - UNIT 88	
INSURER	Guardian Insurance Ltd.	
POLICY NO.	917F632007	
SCOPE OF COVER	Commercial "All Risks" (Physical Loss or Damage)	
POLICY EXCESSES	Fire, Aircraft, Explosion, Earthquake, Riot & Civil Commotion, Impact and Terrorism	Nil Excess
	Subsidence, Landslip or Heave	(pound)1,000 Excess
	All Other Losses (e.g. Malicious Damage, Storm, Flood and Burst Pipes)	(pound)100 Excess
RENEWAL DATE	30th September 1999	
INSURED VALUE	Building - (pound)TBA	
	Loss Rent -(pound)300,000 p.a. (Period Covered - 3 years)	

The building value represents the cost of rebuilding as at 1st October 1997 and is inclusive of professional fees and site clearance costs. The policy cover is placed with the benefit of the Day One Basis inflation protection scheme providing for increased building costs that may be encountered during a period of reinstatement.

PREMIUM RATE Inclusive of (pound) TBA Terrorism deposit

Insurance Premium Tax at the current rate is included

PREMIUM (pound) TBA

NB: In the event of an incident occurring which may give rise to a claim under these insurance arrangements it is imperative that immediate notification be made by telephone to the Estate Office on 01235 865555. Full written details of the incident together with repair estimates should follow as soon as practicable thereafter.

Arlington Business Park
Theale
Reading, RG7 4SD
United Kingdom

Tel+44 (0) 1734 642000
Fax+44 (0) 1734 642287
DX 4053 Reading 1

The Directors
Lansdown Estates Group Limited
Corinthian Court
80 Milton Park
Abingdon
OXON
OX 14 4RY

15 November 1996

Dear Sirs

ACCOUNTANTS REPORT TO LANSDOWN ESTATES GROUP LIMITED (THE COMPANY) ON THE STATEMENT OF SERVICE CHARGES FOR MILTON PARK, ABINGDON

In accordance with the terms of engagement with the company in respect of the above named property, we have examined the attached Statement of Service Charges prepared by the company for the year ended 30 September 1996. In our opinion, the Statement is in agreement with the books and records in respect of the above named property maintained by the company.

Yours faithfully

KPMG
CHARTERED ACCOUNTANTS

LANSDOWN ESTATES GROUP LTD

EXPENDITURE RELATING TO TENANTS' SERVICES
FOR THE YEAR ENDED 30 SEPTEMBER 1996

	Financed from Monies collected in the year	Financed from the the Sinking Fund	Total Expenditures
	(pound)	(pound)	(pound)
Estate Road	197,382	22,573	219,955
Drainage	139,776	39,465	179,241
Electrical	83,840	7,160	91,000
Landscaping	105,815	24,489	130,304
Telecom - Ducting	2,965		2,965
Security	50,770	47,737	98,507
Estate Staff	94,727		94,727
Estate Premises - Rent and Rates	10,949		10,949
Estate Premises - Office Costs	18,589		18,589
Estate Vehicles and Equipment - Running Costs	1,143		1,143
Estate Vehicles and Equipment - Depreciation	11,033		11,033
Insurance	16,896		16,896
	733,885	141,424	875,309
Management Fee	73,388		73,388
	807,273	141,424	948,697

Accounting Policy

The above record of expenditure is derived from the accounting records of the company and the expenditure is allocated in accordance with the accruals concept as required by standard accounting practice.

LANDSDOWN ESTATES GROUP LIMITED

EXPENDITURE RELATING TO TENANTS' SERVICES
FOR THE YEAR ENDED 30 SEPTEMBER 1995

		(pound)
(1)	Estate Road	190,438
(2)	Drainage	166,466
(3)	Electrical	82,969
(4)	Landscaping	136,912
(5)	Telecom-Ducting	2,965
(6)	Security	85,396
(7)	Estate Staff	99,449
(8)	Estate Premises - Rent and Rates	11,691
(9)	Estate Premises - Office Costs	33,516
(10)	Estate Vehicles and Equipment - Running Cost	1,826
(11)	Estate Vehicles and Equipment - Depreciation	12,123
(12)	INSURANCE	25,328
		849,079
MANAGEMENT FEE		84,907
TOTAL		933,986

ACCOUNTING POLICY

The above record of expenditure is derived from the accounting records of the company and the expenditure is allocated in accordance with the accruals concept as required by standard accounting practice.

Arlington Business Park
Theale
Reading, RG7 4SO
United Kingdom

Tel+44 (0) 118 964 2000
Fax+44 (0) 118 964 2222
DX 4053 Reading 1

The Directors
Lansdown Estates Group Limited
Corinthian Court
80 Milton Park
Abingdon
Oxon OX14 4RY

21 November 1997

Dear Sirs

ACCOUNTANTS REPORT TO LANSDOWN ESTATES GROUP LIMITED (THE COMPANY) ON THE STATEMENT OF SERVICE CHARGES FOR MILTON PARK, ABINGDON

In accordance with our terms of engagement with the company in respect of the above named property, we have examined the attached Statement of Service Charges prepared by the company for the year ended 30 September 1997. In our opinion, the Statement is in agreement with the books and records in respect of the above named property maintained by the company.

Yours faithfully

KPMG

LANSDOWN ESTATES GROUP LTD

EXPENDITURE RELATING TO TENANTS' SERVICES
FOR THE YEAR ENDED 30 SEPTEMBER 1997

	Financed from the Monies collected in the year pound)	Financed from the Sinking Fund (pound)	Total Expenditure (pound)
Estate Road	187.774	44.828	232.602
Drainage	148.225	9.125	157.350
Electrical	83.272		83,272
Landscaping	114.891	28.984	143.875
Telecom - Ducting	2.964		2,964
Security	55.809	18.327	74.136
Estate Staff	83.652		83.652
Estate Premises - Rent and Rates	9.960		9.960
Estate Premises - Office Costs	17.137		17.137
Estate Vehicles and Equipment - Running Costs	1.809		1.809
Estate Vehicles and Equipment - Depreciation	5.586		5.586
Insurance	7.738		7.738
	718.817	101.264	820,081
Management Fee	71.881		71.881
	790.698 1	101.264	891.962

ACCOUNTING POLICY

The above record of expenditure is derived from the accounting records of the company and the expenditures allocated in accordance with the accruals concept as required by standard accounting practice.

DATED 1998

MILTON PARK LIMITED (1)

and

VERTEX PHARMACEUTICALS (EUROPE) LIMITED (2)

and

VERTEX PHARMACEUTICALS INCORPORATED (3)

LEASE

of

88 Milton Park Abingdon

Oxfordshire

THIS LEASE is made on the Lease Date BETWEEN (1) the Landlord (2) the Tenant and (3) the Guarantor

PARTICULARS DEFINITIONS AND INTERPRETATION

PARTICULARS

A. "Lease Date" is 1998

B. "Landlord" is MILTON PARK LIMITED whose registered office is at Nations House 103 Wiginore Street London W1H 9AB (Company Registration Number 1772924)

C. "Tenant"is VERTEX PHARMACEUTICALS (EUROPE) LIMITED whose registered office is at 5 Cheapside Court Buckhurst Road Ascot Berkshire SL5 1RF (Company Registration Number 2907620)

D. "Guarantor" is VERTEX PHARMACEUTICALS INCORPORATED of 130 Waverly Street Cambridge Massachussets, USA

E. "Premises" are more particularly described in Part 1 of the schedule to this Lease and shortly known as 88 Milton Park Abingdon Oxfordshire

F. "Centre" means that part of the Estate to be known as the Forum comprising buildings 86/88 Milton Park shown edged green on Plan 1

G. "Estate" is the Landlord's estate of which the Premises form part known as Milton Park Abingdon Oxfordshire shown verged red on Plan 2 together with such additional land or excluding such land of lesser area (but including the Premises and the land over which it enjoys rights granted by this Lease) as the Landlord may from time to time specify and together with all buildings fixtures or structures whatsoever from time to time thereon

H "Rent Commencement Date" is 1998

I. "Term Date" is the usual quarter day next before the Lease Date

J. "Term " is 15 years calculated from the Term Date

K. "Principal Rent" for the period commencing on the Rent Commencement Date and ending immediately before the first Review Date is Three hundred thousand pounds ((pound)300,000.00) per annum and for the period commencing on the first Review Date and thereafter until the next following Review Date is the Review Rent per annum fixed in accordance with clause 6

L. "Permitted Use" is use within Class B1 or Class B8 of the Schedule to the Town and Country Planning (Use, Classes) Order 1987

M. "Estate Service Rent" is the fair and proper proportion applicable to the Premises from time to time of the Estate Service Expenditure for any relevant Service Period

N. "'Centre Service Rent" is the fair and proper proportion applicable to the Premises from time to time of the Centre Services Expenditure for any relevant Service Period

0. "Provisional Sum" in relation to each Service Period means an amount calculated by the Landlord's managing agents acting as experts and not arbitrators as their reasonable and proper estimate of the likely Estate Service Rent and Centre Service Rent for the relevant Service Period

P. "Regulations" are the regulations made by the Landlord in its reasonable and proper discretion applicable to the Estate a copy of which in their form current at the date of this Lease has been given to the Tenant

Q. "Reversionary Obligations" are the covenants declarations and other matters affecting the Premises contained or referred to in the Landlord's freehold reversionary title number BK 102078 as at 20th August 1998

R. "Agreement for Lease" means the Agreement dated 1998 between the Landlord (1) the Tenant (2) and the Guarantor (3) pursuant to which this Lease is granted

S "Defects Period" means the period of the term terminating on

DEFINITIONS AND INTERPRETATION

1. The following expressions and those contained in the particulars have the meanings specified

(a) "Adjoining Premises" means any land or buildings adjoining or near to the Premises and comprised in the Estate

(b) "Conduits" means pipes sewers drains mains ducts and all other conducting media and ancillary equipment

(c) "Centre Services" means the provision and carrying out by or on behalf of the Landlord of the services set out in Section A of Part IV of the Schedule hereto

(d) "Centre Services Expenditure" means all expenditure reasonably incurred by the Landlord or which the Landlord anticipates is likely reasonably to be incurred in providing all or any of the Centre Services and the matters specified in Section B of Part IV of the Schedule including the reasonable and proper cost of employing managing agents (whether or not the Landlord's or employers) and caretakers in relation to the Centre but excluding any expenditure on any part of the Centre for which any other tenant shall be responsible and exclusing also any costs of recovering outstanding sums from any tenant

(e) "Enactment" means any Act of Parliament and all subordinate legislation made under such Acts

(f) "Estate Services" means the provision and carrying out by or on behalf of the Landlord of the Services set out in Section A of Part V of the Schedule hereto

(g) "Estate Service Expenditure" means all expepditure reasonably incurred by the Landlord or which the Landlord anticipates is likely reasonably to be incurred in providing all or any of the Estate Services and the matters specified in Section B of Part V of the Schedule including the reasonable and proper cost of employing managing agents (whether or not the Landlord's own employees) and caretakers in relation to the Estate but excluding any expenditure on any part of the Estate for which any other tenant shall be responsible and excluding also any costs of recovering outstanding sums from any tenant

(h) "Ineligible Use for Value Added Tax Purposes" means a use by the Tenant of the Premises which has the effect that a supply of the Premises by the Landlord to the Tenant is not a taxable supply notwithstanding that the Landlord may have made an election to waive the exemption from Value Added Tax pursuant to Schedule 10 to the Value Added Tax Act 1994

(i) "Value Added Tax" means Value Added Tax or any similar tax chargeable instead of or in addition thereto as provided by statute

(j) "Insurers" means the insurance office or underwriters with whom the Premises are insured

(k) "Insured Risks" means:

(i) loss damage or destruction whether total or partial caused by fire lightning explosion aircraft and articles dropped therefrom storm flood burst pipes impact riot civil commotion malicious damage and other perils against which the Landlord from time to time reasonably thinks fit to insure except for such exclusions and limitations as may be imposed by the Insurers

(ii) property owners liability; and

(iii) loss of three years Principal Rent Estate Service Rent and Service Centre Rent

(l) "Insurance Rent" means in respect of any period for which the same is required to be calculated an amount equal to the aggregate of the total premium for insuring the Premises and a fair and proper proportion of the cost of insuring the common parts of the Centre against the Insured Risks and the reasonable and proper cost of an annual insurance valuation of the Premises where carried out

(m) "Interest" means interest during the period from the date on which the relevant payment is due to the date of payment (both before and after any judgement) calculated on a daily basis at the rate of four per centurn (4%) per annurn above the base rate for the time being of Barclays Bank plc or of some other UK clearing bank nominated in writing from time to time by the Landlord

(n) "Plan 1" and "Plan 2" means the plans so numbered and annexed to this Lease

(o) "Public Authority" means the Secretary of State and any government department public local or any other competent authority oT-institution and any court of law or any of them or any of their duly authorised officers

(p) "Review Date" means the day of and every fifth anniversary of that date during the Term

(q) "Current Rent" means the Principal Rent payable under this Lease immediately before the Review Date

(r) "Market Rent" means the yearly rent which might reasonably be expected to be payable on a letting of the Premises on the assumption that the same is fit for its intended use and is as described in Part VI of the Schedule hereto at the Review Date in the open market between willing parties with vacant possession without fine or premium for the Term calculated from the Review Date but otherwise on the terms of this Lease (other than the actual amount of Principal Rent but including the same rent review provisions) on the assumptions that all covenants on the part of the Tenant in it have been complied with that the Tenant and any hypothetical lessee and their successors in title is and will remain registered for Value Added Tax purposes and able fully to recover all or any Value Added Tax which may become payable on supplies made by the Landlord under this Lease and that any rent free or rent concessionary period in each case given or allowed for a tenant's fitting out period has expired and disregarding any effect on rent of the fact that the Tenant or any undertenant has been in occupation of the Premises or any part of them any goodwill attached to the Premises by reason of the business then carried on at them by the Tenant or any undertenant and any effect on rent attributable to the existence of any alteration or improvement to the Premises carried out during or prior to the commencement of the Term by the Tenant or any undertenant or their respective predecessors in title (otherwise than pursuant to an obligation to the Landlord or its predecessors in title excepting any such as may be required in order to comply with any Enactment)

(s) "Review Rent" means the higher of the Current Rent and 74 per cent of the Market Rent

(t) "Surveyor" means an independent chartered surveyor having not less than ten years practice in the United Kingdom next before the date of his appointment and recent substantial experience in the sale letting and valuation of premises of similar character and quality to those of the Premises and who is a partner or director of a leading firm or company of chartere d surveyors having specialist market and valuation knowledge of such premises

(2) Singular words include the plural and vice versa and the masculine gender includes the neuter gender and vice versa and each includes the feminine gender

(3) The expressions "Landlord" "Tenant" and "the Guarantor" wherever the context so admits include their respective successors in title and where two or more persons comprise the "Tenant" or "the Guarantor" such persons covenant with the Landlord jointly and severally

(4) The Landlord and/or the Tenant by covenanting not to do or omit any act or thing also covenants not to permit or suffer it to be done or omitted

(5) References in this Lease to:

(a) any consent licence or approval of the Landlord or words to similar effect mean a consent licence or other approval in writing signed by or on behalf of the Landlord

(b) the Premises (except in clause 3(10)) shall be construed as extending to any part of the Premises

(c) a specific Enactment includes every statutory modification consolidation and re-enactment and statutory extension of it for the time being in force (except any reference to the Town and Country Planning (Use Classes)Order 1987)

(d) any rent (whether or not defined in the Particulars or in clause 1(1)) and other amounts which may be or become payable to the Landlord under this Lease are exclusive of all Value Added Tax which may be or become chargeable on the relevant supply by the Landlord

(6) This Lease shall be governed by and construed in all respects in accordance with the law of England and the Tenant and the Guarantor submit to the non-exclusive jurisdiction of the English Courts and agree that any process may be served on them by leaving a copy of the relevant documents at the registered office of the Tenant

DEMISE AND RENTS

2. The Landlord with full title guarantee DEMISES the Premises to the Tenant for the Term TOGETHER WITH the rights set out in Part III of the Schedule and EXCEPT and RESERVED as provided in Part II of the Schedule YIELDING and PAYING:

(1) FIRST yearly and proportionately for any part of a year the Principal Rent payable by equal quarterly payments in advance on the usual quarter days in each year without deduction the first payment or a proportionate part for the period commencing on the Rent Commencement Date (calculated on an annual basis) to be made on the that date

(2) SECONDLY with effect from the day of as additional yearly rent the Estate Service Rent (including the Provisional Sum on account)payable in accordance with clause 7

(3) THIRDLY with effect from the day of as additional yearly rent the Centre Service Rent (including the Provisional Sum on account)payable in accordance with clause 7

(4) FOURTHLY as additional rent Interest payable on demand on any sum of whatsoever nature due from the Tenant to the Landlord (whether as rent or

otherwise) which shall not be received by the Landlord within fourteen days after the sum is due

(5) FIFTHLY with effect from the day of as additional yearly rent the Insurance Rent payable without deduction within 21 days of demand

(6) SIXTHLY any Value Added Tax from time to time payable by the Tenant under this Lease

TENANT'S COVENANTS

3. The Tenant covenants with the Landlord throughout the Term:

PAYMENT OF RENTS

(1) (a) To pay the rents reserved by this Lease on the days and in the manner set out in clause 2

(b) To pay in addition to the rents and other amounts which may be or become payable by the Tenant to the Landlord under this Lease all Value Added Tax which may be or become chargeable on the relevant supply by the Landlord to the Tenant (subject to receipt of an appropriate Value Added Tax invoice)

PAYMENT OF OUTGOINGS

(2) To pay all existing and future rates taxes duties charges and other outgoings whatsoever whether recurring non-recurring usual or novel which are now or at any time during the Term shall be payable by the owner landlord tenant or occupier in respect of the Premises excluding all sums payable by the Landlord in respect of the grant of this Lease or of any dealing with the reversion to this Lease or of the Landlord's receipt of income

PAYMENT OF COST OF NOTICES CONSENTS ETC

(3) To pay all costs charges and expenses (including counsel's solicitors' and surveyors' fees)incurred by the Landlord in and incidental to:

(a) the preparation and service of a notice under Section 146 Law of Property Act 1925 or in or in reasonable contemplation of any proceedings under Section 146 or 147 of that Act notwithstanding that forfeiture is avoided otherwise than by relief granted by the court and

(b) every step taken during or within 6 months after the expiration of the Term and in reasonable contemplation of or in connection with or with the actual service of all notices and schedules of dilapidations relating to the Tenant's obligations and

(c) to the extent that such costs charges and expenses are reasonable and proper every application for consent or licence or approval under this Lease (save where any consent licence or approval is unreasonably withheld or delayed)

REPAIR DECORATION AND GENERAL CONDITION

(4) To repair and renew (where necessary in the context of repair) and keep the Premises in good and substantial repair and condition and clean and tidy and in good decorative order in conformity with the principles of good estate management (damage by any Insured Risk excepted save to the extent that the payment of the insurance money has been refused by reason of any act or default of the Tenant or of any undertenant or of any licensee of the Tenant or any undertenant or of any person at the Premises with the consent of the Tenant or any undertenant) Provided that the obligations of the Tenant as to the repair of the Premises shall not extend to any matter for which the Landlord is responsible under Clause 4(4)

STRUCTURAL AND OTHER ALTERATIONS AND SIGNS

(5) (a) Not to erect any new buildings or structures on the Premises

(b) Not to make any alteration or addition to the Premises or any part thereof except with the Landlord's prior written consent (which will not be unreasonably withheld or delayed) and (if the consent is given) to carry the work out in a good and workmanlike manner to the reasonable satisfaction of the Landlord and in accordance with the reasonable requirements of the Landlord Provided that the Tenant may install alter or remove internal demountable partitioning and carry out any other internal non-structural works without requiring the consent of the Landlord provided details of such internal non-structural works are provided to the Landlord within 3 months of carrying out the same

(c) Not to attach or exhibit in or on the Premises (including the windows) any sign or other material which is visible from the outside nor to erect its corporate sign on the -signboard provided by the Landlord without the Landlord's consent (such consent not to be unreasonably withheld or delayed)

(d) At the expiration of the Term (unless either the Landlord shall have notified the Tenant to the contrary not less than three months before the expiration of the Term or the Landlord and the Tenant shall have otherwise agreed) to reinstate all alterations carried out by the Tenant and any undertenant or other occupier during the Term and to make good the Premises to the reasonable satisfaction of the Landlord

COMPLIANCE WITH ENACTMENTS

(6) (a) To comply with all Enactments and with the requirements of every Public Authority in respect of the Premises and their use and any permitted work being carried out to them and not to do or omit anything by which the Landlord may become liable to make any payment to do anything under any Enactment or requirement of a Public Authority

(b) Forthwith on receipt of any communication or proposal from any Public Authority relating to the Premises to send the Landlord a copy of it

LANDLORD'S RIGHT TO ENTER FOR VARIOUS PURPOSES

(7) To permit the Landlord and all others properly authorised by it at reasonable times on reasonable prior notice (except in an emergency) to enter and remain on the Premises with or without equipment for all reasonable and proper purposes authorised by and in conformity with the provisions of the Lease and to allow the Landlord to affix (but not so as to interfere materially with the Tenant's use and enjoyment of the Premises) relevant notices to the Premises relating to the letting of the Premises at the expiry of the Term and the sale of the Landlord's reversionary interest in the Premises

COMPLIANCE WITH NOTICES RELATING TO REPAIR AND CONDITION

(8) IF within two months after service of a notice from the Landlord to remedy any breach of covenant relating to the state of repair or condition of the Premises (or earlier in the case of emergency) the Tenant shall not have commenced and be proceeding expeditiously with the remedial work or if in the Landlord's reasonable opinion the Tenant is unlikely to have completed or has not completed the relevant work within a reasonable time after service of the notice to permit the Landlord to enter the Premises to remedy the breach and to pay the Landlord the cost of doing so and all expenses incurred (including solicitors costs and surveyors fees) within seven days of demand use

(9) (a) Subject to the provisions of sub-clause (b) hereof not to use the Premises or any tenant's chattels in them

(i) for any purpose (and not to do anything in or to the Premises) which may be or become or cause a nuisance disturbance obstruction or damage to any person or property

(ii) for any dangerous noxious noisy illegal or offensive trade business or activity or for residential purposes

(iii) (without prejudice to the preceding paragraphs of this sub-clause) except for the Permitted Use

(b) Not to use more than 300 sq m of the Premises for the purposes of conducting scientific experiments on live animals ("the Experiments") provided that such use shall be subject to the Tenant strictly complying with the following conditions:

(i) it shall before commencing the Experiments obtain all necessary consents and shall in the course of the Experiments comply with all relevant Enactments and regulations

(ii) it shall not publicise or promote (whether orally or in writing) the fact that the Experiments are conducted at the Premises

(iii) subject to the Landlord's prior written approval (such approval not to be unreasonably withheld or delayed) it shall make suitable provision in relation to the protection of the animals personnel and the Premises

(iv) it shall limit the Experiments conducted in the Premises to those related to medical research

(v) it shall only use mice and rats in the Experiments

(vi) it shall cease forthwith upon written notice from the Landlord to conduct the Experiments if in the Landlord's reasonable opinion:

(1) the Experiments are having the effect of materially diminishing the rental or capital value of the Premises or any other premises on the Estate

(2) the Experiments are materially impeding the letting of any nearby building on the Estate

(3) the Experiments are causing the Landlord to take significant management action as a result of or in reasonable anticipation of the actions of third parties due to the carrying on of the Experiments at the Premises

(4) the carrying out of the Experiments at the Premises are materially and adversely damaging the reputation of the Landlord or its employees or the Estate

ALIENATION

(10) Not to:

(a) assign mortgage or charge or in any other manner part with possession of any part of the Premises (as distinct from the whole) save as specifically permitted herein;

(b) assign underlet or otherwise part with or share possession of the whole of the Premises or underlet any part except in accordance with clauses 3(10)(c) and 3(10)(d)

(c) assign the whole of the Premises except:

(i) to a person which before the assignment shall have (if reasonably required by the Landlord) procured a covenant with the Landlord by a reasonably acceptable guarantor or guarantors to guarantee the observance and performance of the Tenant's covenants in this Lease in the terms set out in Part VII of the Schedule

(ii) to an assignee which is able to recover 80 per cent or more of its input Value Added Tax

(iii) without obtaining the Landlord's consent which shall not be unreasonably withheld or delayed subject:

(A) to the prior satisfaction of the condition in sub-clause 3(1 0)(c)(i) and

(B) the Tenant having first entered into an authorised guarantee agreement with the Landlord complying with the provisions of section 16 of the Landlord and Tenant (Covenants) Act 1995 and containing those provisions mentioned in section 16.5(a) to (c) (inclusive) of THAT ACT;

(d) underlet the whole of the premises or part thereof:

(i) without obtaining the Landlord's approval of the form and content of the underlease (which shall not be unreasonably withheld or delayed) and a covenant by the undertenant with the Landlord to observe and perform throughout the term of the underlease those of the Tenant's covenants (in the case of an underletting -of part so far as they apply to the part being underlet) under this Lease so far as they relate to the premises being underlet (other than to pay rent) which will be included in the underlease on the part of the undertenant; nor without prejudice to the generality of the foregoing;

(ii) without reserving as a yearly rent payable by equal quarterly instalments in advance on the usual quarter days the open market rack rental value of the premises being underlet except on a basis by which the principal rent reserved by the underlease shall be reviewed not less frequently then once in every five years of the term sub-demised to the greater of:

(A) the rent payable under the underlease immediately before the relevant review; and

(B) the open market rack rental value of the premises demised. by the underlease on the date of review

(iv) in consideration of a fine or premium;

(v) without taking from the undertenant covenants with the Tenant (which the Tenant shall enforce) not to assign the premises being underlet without the Landlord's consent which shall not be unreasonably withheld or delayed and not to underlet the whole or part of them or otherwise deal with them by sharing or parting with possession or charging them save in a manner otherwise permitted by this Lease;

(vi) except on a basis providing for the exclusion of sections 24 to 28 inclusive Landlord and Tenant Act 1954 in relation to the underlease in pursuance of an Order duly made under Section 38(4)(a) of that Act before the grant of the underlease

(vii) except for a term which will end no later (but may end earlier) than the day before the contractual expiry of the Term

(viii) on the basis that there shall be no more than four occupants of the Premises (including the Tenant) at any one time

nor without obtaining the Landlord's consent (which subject to the satisfaction of the above conditions) shall not be unreasonably withheld or delayed;

(e) agree any variation of any under lease without the landlord's consent (which shall not be unreasonably withheld or delayed);

(f) effect any transaction which this clause allows subject to the Landlord's consent more than three months after the date of the consent unless it otherwise provides;

(g) assign the whole of the Premises or underlet the whole or part of the Premises to a person who in the reasonable opinion of the Landlord will use the Premises for an Ineligible Use for Value Added Tax Purposes

(h) Within twenty-eight days after any assignment or other devolution of this Lease to give notice of it in duplicate to the Landlord with a copy of the instrument (including any relevant probate letters of administration or assent)

(i) The Tenant and/or any undertenant may share occupation of the Premises with a company which is a member of the same group as the Tenant or the undertenant (within the meaning of Section 42 of the Landlord and Tenant Act 1954) for so long as both companies remain members of that group and provided that:

(i) no relationship of landlord and tenant is created between the two companies and no security of tenure is conferred upon the occupier; and

(ii) within fourteen days of the commencement of the sharing the Tenant gives to the Landlord notice of the company sharing occupation and the address of its registered office

INSURANCE AND FIRE FIGHTING EQUIPMENT

(11) (a) Not to do or omit anything by which the insurance policy relating to the Premises becomes void or voidable (insofar as the Tenant has been made aware of the terms of the relevant insurance policy)

(b) To comply with all requirements and reasonable recommendations of the Insurers made known to the Tenant and to provide and maintain unobstructed appropriate operational fire fighting equipment on the Premises and not to obstruct the means of escape in case of emergency from or to the Premises

NOT TO OBSTRUCT OR OVERLOAD

(12) Not to obstruct:

(a) or damage or use any area leading to the Premises in a way which causes nuisance or damage

(b) or discharge any deleterious matter into any Conduits serving the Premises and to keep them clear and functioning properly

(c) stop-up or darken the windows and other openings of the Premises

(d) any notice erected by the Landlord under clause 3(7) nor to overload or cause undue strain to the Premises or to any structure surrounding or located within (but excluded from) the Premises or to any Conduits

PRESERVATION OF EASEMENTS

(13) (a) Not to give any acknowledgement that any rights of light and other easements belonging to the Premises are enjoyed by the consent of any third party

(b) Not to do or omit anything which might subject the Premises to the creation of any new easement and to give notice to the Landlord forthwith of any encroachment known to the Tenant which might have that effect

DEFECTIVE PREMISES

(14) Immediately upon becoming aware of the same to give notice to the Landlord of any defect in the Premises which might give rise to:

(a) an obligation on the Landlord to do or refrain from doing anything in relation to the Premises; or

(b) any duty of care or the need to discharge such duty imposed by the Defective Premises Act 1972 or otherwise and at all times to display and maintain all notices which the Landlord may from time to time reasonably require to be displayed at the Premises in relation to their state of repair and condition

YIELD UP

(15) At the expiration or sooner determination of the Term:

(a) to remove all tenant's fixtures and chattels and to yield up the Premises in the STATE of repair condition decorative order and layout required by this Lease and

(b) In the event that at the date of such expiration or sooner determination the Tenant is or has been engaged in carrying out any Experiments to comply with all Enactments and regulations regarding all decommissioning of laboratories and

(c) To leave all mechanical and electrical installations forming part of or left in the Premises in working order and maintained in accordance with manufacturers recommendations

COVENANTS

(16) To observe and perform the Reversionary Obligations and Regulations

VALUE ADDED TAX: TO INFORM AND INDEMNIFY

(17) (a) The Tenant shall notify the Landlord in writing within thirty (30) days of ceasing to use the Premises for an Ineligible Use for Value Added Tax purposes if the Premises were at the most recent time of supply so used or of starting to use the Premises for an Ineligible Use for Value Added Tax Purposes if the Premises were at the most recent time of supply not so used

(b) Within thirty (30) days of receiving a request in writing from the Landlord to provide the Landlord with evidence that H M Customs and Excise has agreed that the Tenant is has been or will be using the Premises for an Ineligible Use for Value Added Tax Purposes or such other information as the Landlord may reasonably require to enable the Landlord to assess whether the Tenant is has been or will be using the Premises for an Ineligible Use for Value Added Tax Purposes

(c) Within seven (7) days of receiving any notice in writing from the Landlord which contains a statement of the Landlord's understanding as to whether or not the Tenant will on the date stated in the notice be using the Premises for an Ineligible Use for Value Added Tax Purposes to notify the Landlord whether or not that understanding is correct

(d) To maintain suitable records to ensure that the Tenant is able to comply with its obligations in this clause 3(17)

(e) Notwithstanding the provisions of clauses 3(9) and 3(10) of this Lease not to use the Premises for an Ineligible Use for Value Added Tax Purposes

(f) To indemnify and keep the Landlord indemnified on an after-tax basis from and against all actions claims costs demands expenses Value Added Tax liabilities and losses (whether arising before or after the beginning of the Term) arising from any breach of the covenants on the Tenant's part contained in sub-clauses (a) (b) (c) (d) or (e) of this clause 3(17) and for this purpose the Landlord's losses shall be deemed to include any Value Added Tax on supplies made to the Landlord which the Landlord would be unable to recover (by way of credit or repayment) or which has been recovered but which the Landlord is liable to repay

LANDLORD'S COVENANTS

4. The Landlord covenants with the Tenant:

QUIET ENJOYMENT

(1) That if the Tenant observes and performs its covenants contained in this Lease the Tenant may peaceably and quietly hold and enjoy the Premises without any lawful interruption by the Landlord or any person rightfully claiming through under or in trust for it or by title paramount

MAINTENANCE AND REPAIR

(2) Save for any reason or circumstances beyond the Landlord's control (for which it shall not be liable but which control it shall use all reasonable endeavours to restore) and save to the extent that the same are maintainable at the public expense to take all steps necessary and consistent with the principles of good estate management to maintain repair and keep in good and substantial repair and condition such of the Conduits roadways and other facilities as are referred to in Parts IV and V of the Schedule and save as aforesaid to provide at all times the Centre Services and the Estate Services

INSURANCE

(3) (a) to keep the Premises insured against the Insured Risks and (in relation to the risks described in clause 1 (k)(i)) in the full rebuilding cost (but not necessarily the facsimile reinstatement cost) of the Premises and to use all reasonable endeavours to procure that such insurance contains a waiver of subrogation rights against the Tenant and tenant's non-invalidation clause

(b) on request to supply the Tenant with suitable evidence of such insurance by way of a Schedule of insurance details including an accurate summary of the risks against which the insurance is effected and details of all excesses and exclusions

(c) if and whenever during the Term the Premises are damaged or destroyed by an Insured Risk (save to the extent that the payment of the insurance monies is refused by reason of any act or default of the Tenant or of any undertenant or of any licensee of the Tenant or any undertenant or of any person at the Premises with the consent of the Tenant or any undertenant) the Landlord will with all convenient speed take the necessary steps to obtain any requisite planning permissions and consents and if they are obtained to lay out all monies received in respect of such insurance (except sums in respect of public liability and loss of rents) in and towards replacing (but not necessarily in facsimile reinstatement) the damaged or destroyed parts as soon as reasonably practicable and will make up any deficiency out of its own money PROVIDED ALWAYS THAT the Landlord shall not be liable to do so if it is unable (having used all reasonable endeavours) to obtain every planning permission and consent necessary to execute the relevant work in which event the Landlord shall be entitled to retain all the insurance monies received.

DEFECTS

(4) (a) The Landlord shall subject to the provisions of sub-clause (b) hereof as soon as reasonably practicable make good or procure the making good at its own expense of all defects (but not any defect which is due to normal condensation natural shrinkage or drying out) in the Premises which are directly attributable to defective design workmanship supervision or materials or defective supervision of the construction of the Premises or defective preparation of the site on which the Premises are constructed which appear and are notified to it in writing by the Tenant at any time

before the expiration of the Defects Period PROVIDED THAT the Tenant shall afford to the Landlord all reasonable access to the Premises and areas affected by such defects subject to the Landlord causing as little inconvenience to the occupier of such areas as may in all the circumstances be practicable and making good all damage to any property of the Tenant or the Premises caused during such entry to the reasonable satisfaction of the Tenant and for the avoidance of doubt and without prejudice to the generality of the foregoing the Landlord shall not be required to procure the making good of any defect which is attributable to the carrying out of any fitting out or other works by the Tenant or to the effect of any such works or to the use and occupation of the Premises by the Tenant PROVIDED THAT if during the carrying out of any fitting out or other works by the Tenant the Tenant shall discover a defect which would have been required to be remedied by the Landlord under the provisions of this clause if it had been discovered by some other means or remained latent the fact that the same shall have been discovered as a result of the carrying out of any fitting out or other works by the Tenant shall not exclude any liability which the Landlord would have had if the defect had been discovered by some other means or presented itself under any other circumstances

(b) The Landlord shall make good any such defects as aforesaid notified to it in writing during the period from the date hereof until as soon as practicable after (save for defects which require urgent attention which shall be remedied as soon as practicable after written notification to the Landlord) and after all defects shall be remedied as soon as practicable after written notification to the Landlord (provided such notification is made before the end of the Defects Period) all such defects being remedied to the reasonable satisfaction of the Tenant

DEFECTS INSURANCE

(5) (a) The Landlord shall as soon as reasonably practicable procure for the Tenant's benefit at the Landlord's own cost a Defects Insurance Policy ("the Defects Insurance Policy") in the form of the attached draft (subject to such minor amendments as the insurers may require provided that any amendments shall not affect the amount of the insurance cover the risks insured or the amount of the excess) in the joint names of the Landlord and the Tenant issued by the Commercial Union Assurance Company plc or some other reputable insurance company and shall then provide the Tenant with true copy of the proposed Defects Insurance Policy

(b) Notwithstanding that the Defects Insurance Policy shall be in the joint names of the Landlord and the Tenant the Tenant shall be entitled to any proceeds of the Defects Insurance Policy in respect of its liability under its covenants contained in this Lease in priority to the Landlord and the Landlord will direct the insurers accordingly in the event of a claim and take such action as may be necessary and/or appropriate to ensure that monies payable under the Defects Insurance Policy are paid to and received

by the Tenant as soon as practicable after the occurrence of any claim under the Defects Insurance Policy arising

AGREEMENTS AND DECLARATIONS

5. IT IS AGREED AND DECLARED THAT:

(1) Without prejudice to any other remedies and powers contained in this Lease or otherwise available to the Landlord if

(a) the whole or part of the rents shall be unpaid for twenty-one days after becoming payable (in the case of the Principal Rent whether formally demanded or not); or

(b) any of the Tenant's covenants in this Lease are not performed or observed; or

(c) the Tenant (or if more than one person any one of them being a company) is the subject of a petition for its winding up; or enters into liquidation whether voluntary (except for reconstruction or amalgamation of a solvent company) or compulsorily; or has a provisional liquidator or a receiver (including an administrative receiver) appointed; or is the subject of an administration order or a petition for one or of a voluntary arrangement or a proposal for one under Part I Insolvency Act 1986; or is unable to pay its debts within the meaning of section 123 Insolvency Act 1986 or is otherwise insolvent; or having been registered with unlimited liability it acquires limited liability; or

(d) the Tenant (or if more than one person any one of them being an individual) is the subject of a bankruptcy petition or bankruptcy order or of any application or order or appointment under Section 253 or Section 273 or Section 286 Insolvency Act 1986; or otherwise becomes bankrupt or insolvent; or

(e) the Tenant enters into or makes any proposal to enter into any arrangement or composition for the benefit of his creditors

then the Landlord may at any time thereafter (and notwithstanding the waiver of any previous right of re-entry) re-enter the Premises whereupon this Lease shall absolutely determine but without prejudice to any Landlord's rights of action in respect of any antecedent breach of the Tenant's covenants in this Lease

(2) In addition to any other mode of service any notice required or authorised to be given under this Lease shall be validly served if served in accordance with Section 196 Law of Property Act 1925 as amended by the Recorded Delivery Service Act 1962 and any such notice shall be deemed (whether or not it is actually the case) to be a notice required to be served for the purposes of such Section

(3) If and whenever during the Term the Premises or the means of access thereto and/or therefrom on the Centre or the Estate or any of them are damaged or destroyed by any of the Insured Risks so that the Premises or any part of them are unfit for occupation or use

or access thereto is prevented then (save to the extent that payment of the insurance money is refused by reason of any act or default of the Tenant or of any undertenant or of any licensee of the Tenant or any undertenant or of any person at the Premises with the consent of the Tenant or any undertenant) the Principal Rent the Estate Service Rent and the Centre Service Rent or a fair proportion thereof according to the nature and extent of the damage sustained shall cease to be payable until the Premises or the affected part shall have been rebuilt or reinstated so that the Premises are made wholly fit for occupation or use (or as the case may be access to and from the Premises is restored) the amount of such proportion and the period during which the rents shall cease to be payable to be determined by the Surveyor acting as an expert and not as an arbitrator and in conformity with similar arrangements as to his appointment as apply to a Surveyor appointed under clause 6.

(4) In the event that the Premises or the means of access thereto and/or therefrom on the Centre or the Estate are so damaged or destroyed by any of the Insured Risks so as to render the Premises or any part thereof unfit for occupation or use (and the policy of insurance effected by the Landlord shall not have been vitiated or payment of the policy monies refused in whole or in part in consequence of any act or default of the Tenant or of any under tenant or of any licensee of the Tenant or any undertenant or of any person at the Premises with the consent of the Tenant or any undertenant) and the Landlord has despite using all reasonable endeavours been unable to complete the reinstatement of the Premises or the means of access within 30 months from the date of the damage or destruction then either party (but in the case of the Landlord only where it has used such reasonable endeavours aforesaid and the damage prevents the use of the whole (or substantially the whole) of the Premises) may prior to the completion of such reinstatement terminate this Lease by giving fourteen days written notice to the other and upon the expiry of such notice this Lease shall absolutely cease and determine but without prejudice to the rights of any party in respect of any prior breach of the covenants and conditions contained herein

(5) Nothing in this Lease shall impose upon the Tenant any obligation to make good or remediate any form of contamination to the Premises the Centre the Estate or any other land and premises unless the contamination in question is caused directly by the Tenant its undertenants or other occupiers of the Premises in their use of the Premises

RENT REVIEW

6.1 The Market Rent may be agreed in writing at any time between the Landlord and the Tenant

6.2 If the Landlord and the Tenant shall not have agreed the Market Rent by the date three months immediately before the relevant Review Date either party may in its discretion require the Market Rent to be assessed by the Surveyor in the following manner:

(a) the Surveyor shall be appointed to assess the Market Rent by the Landlord and the Tenant or (if they fail to agree the appointment) by or on behalf of the President for the time being the Royal Institution of Chartered Surveyors on the application of either the Landlord or the Tenant

(b) the surveyor shall act as an expert and not as an arbitrator (and shall give the Landlord and the Tenant the opportunity to make written representations to him in such manner as he may direct but shall make the determination in accordance with his own opinion)

6.3 If the Surveyor shall die delay or become incapable of acting or unwilling to act or if for any other reason the President or the person acting on his behalf shall in his absolute discretion think fit the President may by writing discharge the Surveyor and appoint another in his place

6.4 The cost of the reference to the Surveyor shall be apportioned between the Landlord and the Tenant as the Surveyor shall in his discretion determine whose decision shall be final and binding on the Landlord and the Tenant

6.5 When the Market Rent as at the relevant Review Date has been ascertained in accordance with this Lease memoranda of the Review Rent shall be signed by or on behalf of the Landlord and the Tenant (at their own cost) and annexed to this Lease and its counterpart

6.6 If the Market Rent has not been ascertained by the relevant Review Date the Tenant will continue to pay the Current Rent and when the Market Rent is ascertained the Tenant will on the quarter day immediately following the date on which the Market Rent is ascertained pay the Landlord any amount which the Review Rent for the period commencing on the relevant Review Date and ending on such quarter day exceeds the Current Rate plus Interest (but calculated at the relevant base rate) on the excess from time to time from the Review Date calculated by reference to the relevant quarter day on which the appropriate proportion of the excess became payable

7. ESTATE SERVICE RENT AND CENTRE SERVICE RENT

7.1 For the purposes of this Lease:

(a) "Account Date" means 30 September in every year of the Term or such other date as the Landlord may from time to time nominate by notice in writing to the Tenant

(b) "Service Period" means the period:

(i) from the Account Date; and thereafter to (and including) the first

(ii) between two consecutive Account Dates (excluding the first and including the second); thereafter

(iii) commencing immediately after the last Account Date of the Term and ending on the expiration of the Term

7.2 The Landlord shall as soon as convenient after each Account Date prepare an account showing the Estate Service Expenditure and the Centre Service Expenditure for the year ended on that Account Date and containing a fair summary of the expenditure referred to and upon the account being certified by the Landlord's managing agents it shall be

conclusive evidence for the purposes of this Lease of all matters of fact referred to except in case of manifest error

7.3 The Tenant shall pay the Landlord on account of Estate Service Rent and Centre Service Rent the Provisional Sum in relation to each Service Period the first payment (being a proportionate sum in respect of the period commencing on and ending immediately before the quarter day next after the Lease Date) to be made on the Lease Date and the subsequent payments to be made by equal instalments in advance on the usual quarter days

7.4 If the Estate Service Rent or the Centre Service Rent for any Service Period:

(a) exceeds the Provisional Sum for that Service Period the excess shall be due to the Landlord within 14 days of demand; or

(b) is less than the Provisional Sum for that Service Period the overpayment shall be credited to the Tenant against subsequent payments on account of the Estate Service Expenditure or the Centre Service Expenditure (as the case may be) until the overpayment is balanced or until the expiry of the Term when a cash repayment will be made to the Tenant

7.5 Any omission by the Landlord to include in the Estate Service Expenditure or Centre Service Expenditure a sum expended or liability incurred in the relevant Service Period shall not preclude it from including such sum or the amount of such liability in any subsequent period

7.6 Any sum accounted for as part of the Estate Service Expenditure shall not be accounted for as part of the Centre Service Expenditure and vice versa

7.7 The provisions of this clause 7 shall continue to apply notwithstanding the expiration or sooner determination of the Term but only for the purposes of calculations and payment of the Estate Service Rent and the Centre Service Rent for the period down to such expiration or sooner determination

8. RIGHT TO DETERMINE

The Tenant may subject to it having given not less than 12 months notice in writing ("the Break Notice") to the Landlord determine the Term on the 10th anniversary of the Term Date ("the Break Date") PROVIDED ALWAYS the Tenant's right to determine shall be further subject to the following:

(a) the Tenant yielding up the Premises with full vacant possession on the Break Date

(b) the Tenant having materially complied with all its covenants and obligations under this Lease at the Break Date

(c) The Tenant shall pay to the Landlord a sum equivalent to the Principal Rent the Estate Service Rent the Centre Service Rent and the Insurance Rent calculated for a period of 12 months (such calculation to be based on the amount of such rents for the year ending on the Break Date) and such sum (estimated in the case of the

Estate Service Rent the Centre Service Rent and the Insurance Rent (where relevant) and balanced by the appropriate payment when the precise sums due are known) is received by means of cleared funds into the account of the Landlord no later than one day before the Break Date

9. GUARANTOR'S COVENANTS

At the request of the Tenant and in consideration of the grant of this lease made at its request the Guarantor enters with the covenants set out in Part VII of the Schedule

THE SCHEDULE

PART I
("THE PREMISES)

The land and buildings and appurtenances thereto known as 88 Milton Park Abingdon Oxfordshire shown edged red on Plan I

PART II

EXCEPT AND RESERVED to the Landlord (and all other persons authorised by the Landlord or having like rights) the free and uninterrupted rights:

(1) to the passage and running of water soil gas electricity telephone and other services or supply to and from any Adjoining Premises through the Conduits in or under the Premises

(2) for the Landlord to enter the Premises for the purposes mentioned in and subject to the provisions of this Lease

(3) of light air and protection now or after the date of this Lease enjoyed by any Adjoining Premises

(4) at any time hereafter to alter rebuild make connections to or demolish any building on any Adjoining Premises in such manner as the person exercising the right shall think fit notwithstanding the same may obstruct affect or interfere with (but in each case not materially) the amenity of or the passage of light and air to the Premises or have an insubstantial effect on the means of access to them

PROVIDED THAT if the Landlord exercises any of the above rights by carrying out work on the Premises it shall forthwith make good any damage caused to the reasonable satisfaction of the Tenant and shall use all reasonable endeavours to minimise any disruption or inconvenience to the Tenant and other occupiers of the Premises

PART III

TOGETHER WITH the benefit of the rights -

(1) to the passage and running of water soil gas electricity telephone and other services or supply to and from the Premises through the Conduits in or under the Adjoining Premises

(2) of support and protection as is now enjoyed from the Adjoining, Premises

(3) now set out in the Property register of the Landlord"s title at H M Land Registry as may be relevant

(4) at convenient times and upon reasonable notice (except in emergency) to enter the Adjoining Premises of the Landlord (as at the date hereof) if it shall be necessary to do so in order to view the state and condition of the Premises and to make good all damage caused

(5) (in common with the Landlord and all other persons having a like right) to pass and repass to and from the Premises at all times and for all purposes connected with the Permitted Use (but not otherwise) over and along those parts of the Estate which are designed and intended for those purposes including (without prejudice to the generality of the foregoing) the Estate roads

(6) to the exclusive use of the car parking areas shown edged and hatched yellow on Plan 1 for the purpose of parking private cars and light commercial vehicles and not for any other purpose (save for gaining access to and from the Premises) and to use such other 39 additional car parking spaces for such purposes as aforesaid within the car parking area serving the Centre as the Landlord may from time to time reasonably designate

(7) subject to the Landlord's prior written consent (such consent not to be unreasonably withheld) to install the corporate sign of the Tenant on the signboard provided by the Landlord

PART IV
SECTION A
(CENTRE SERVICES)

(a) Repairing resurfacing cleaning lighting maintaining and (where necessary) renewing replacing and improving the estate roads within the Centre and the forecourts car parking areas loading bays landscaped areas boundary walls fences hedges gates entrances and signs now or at any time during the Term constructed on the Centre including any drains sewers pipes cables gutters inspection chambers or any other services or fittings relating thereto over in or under the Centre which in each case are not the responsibility of any individual tenant or occupier to maintain

(b) Retaining and providing the services of all staff necessary for the efficient maintenance and management of the Centre together with any working accommodation for such staff

(c) Maintaining security services in respect of the Centre which are sufficient in the Landlord's reasonable opinion

(d) Compliance by the Landlord with every notice regulation or order of any competent local or other authority in relation to the Centre or its appurtenances

(e) Effecting and maintaining in force an insurance policy or policies against any and every liability of the Landlord for injury to or death of any person (including every agent servant

and workman of the Landlord) and damage to or destruction of the property of any such person arising out of the maintenance of the Centre

(f) Carrying out all other work or providing services of any kind whatsoever which the Landlord may from time to time reasonably consider necessary or desirable and which are in accordance with the principles of good estate management of the Centre

Section B

(a) all reasonable and proper fees charges expenses and commissions incurred in the administration and management of the Centre or payable to any solicitor accountant surveyor valuer agent or architect or any of them whom the Landlord may from time to time employ in connection with the management or maintenance of the Centre including the cost of preparing or causing to be prepared statements of said costs charges and expenses and auditing the same but excluding any fees charges expenses and commission paid for the collection of rent from the tenants of and the letting or reletting of any premises on the Centre

(b) a charge equivalent to ten per centum of the aggregate costs expenses and outgoings referred to in Section A of this part of this Schedule such sum to be in respect of the general administration and supervision costs of the Landlord relating to or in connection with the matters specified or referred to in Section A of this part of this Schedule or any of them

(c) such reasonable and proper sum as the Landlord shall in its reasonable discretion think fit as being a reasonable provision for expenditure likely to be incurred in the future in connection with the matters mentioned in Section A of this part of this Schedule

PART V
SECTION A
(ESTATE SERVICES)

(a) Repairing resurfacing cleaning lighting maintaining and (where necessary) renewing replacing and improving the estate roads serving the Estate and the forecourts car parking areas loading bays landscaped areas boundary walls fences hedges gates entrances and signs now or at any time during the Term constructed on the Estate including any drains sewers pipes cables gutters inspection chambers or any other services or fittings relating thereto over in or under the Estate which in each case are not the responsibility of any individual tenant or occupier to maintain

(b) Retaining and providing the services of all staff necessary for the efficient maintenance and management of the Estate together with any working accommodation for such staff

(c) Maintaining security services in respect of the Estate which are sufficient in the Landlord's reasonable opinion

(d) The maintenance replacement renewal and improvement of the sewerage pumping station and drainage and sewerage system serving the Estate

(e) Compliance by the Landlord with every notice regulation or order of any competent local or other authority in relation to the Estate or its appurtenances

(f) Effecting and maintaining in force an insurance policy or policies against any and every liability of the Landlord for injury to or death of any person (including every agent servant and workman of the Landlord) and damage to or destruction of the property of any such person arising out of the maintenance of the Estate

(g) Carrying out all other work or providing services of any kind whatsoever which the Landlord may from time to time reasonably consider necessary or desirable and which are in accordance with the principles of good estate management of the Estate

Section B

(a) all reasonable and proper fees charges expenses and commissions incurred in the administration and management of the Estate or payable to any solicitor accountant surveyor valuer agent or architect or any of them whom the Landlord may from time to time employ in connection with the management or maintenance of the Estate including the cost of preparing or causing to be prepared statements of said costs charges and expenses and auditing the same but excluding any fees charges expenses and commission paid for the collection of rent from the tenants of and the letting or reletting of any premises on the Estate

(b) a charge equivalent to ten per centum of the aggregate costs expenses and outgoings referred to in Section A of this part of this Schedule such sum to be in respect of the general administration and supervision costs of the Landlord relating to or in connection with the matters specified or referred to in Section A of this part of this Schedule or any of them

(c) such reasonable and proper sum as the Landlord shall in its reasonable discretion think fit as being a reasonable provision for expenditure likely to be incurred in the future in connection with the matters mentioned in Section A of this part of this Schedule

PART VI
(SPECIFICATION AND PLANS FOR NOTIONAL OFFICE BUILDING FOR RENT REVIEW PURPOSES)

See annexure

EXPLANATORY NOTE:

The purpose of this specification is to describe the premises to be valued on rent review as outlined in the lease.

Broadly "the Centre" and the external parts of "the Premises" (as described in the lease) are as outlined in the Agreement for Lease. However, it is assumed for rent review that the Premises have been fitted out on both ground and first floors as comfort cooled open plan offices. Both core areas are fitted to the developer's specification, as outlined in the Agreement for Lease.

GENERAL

Building 88 is a two storey building comprising C 2,300 sq m. The building forms part of a development of three similar buildings orientated in an 'H' shape around a central courtyard. Building 88 has a third storey which has been designed to accommodate plant, both in an enclosed central area and on open 'balconies' at both ends of the building. The building has two entrance areas both forming a core containing a stair and lift to the first floor, fitted separate male, female and disabled toilet areas, riser cupboards and doors into the comfort cooled open plan office areas.

The core areas will be finished to a normal developers specification including plastered and painted walls, carpeted first floor landing and stairs, non-slip ceramic tile finish to ground floor entrance with plasterboard ceilings and feature lighting. Perimeter radiators provide space heating and WC areas have fully tiled walls, non slip ceramic tiles floors and are fitted with usual sanitary provision.

The ground and first floors of the building are finished as high quality comfort cooled open plan offices. There is a raised computer floor, suspended ceiling with Cat II lighting, antistatic carpets throughout, floor sockets and air cooling system with associated filtered fresh air ventilation. All plant serving the premises is housed within the third storey plant room area.

The thermal performance of the external building envelope will comply in all respects with the Building Regulations for England and Wales, Part L, 1995.

1 FOUNDATIONS

Mass concrete trench fill and pad foundations on vibro-compacted sub-grade, designed in accordance with the recommendations of the site investigation report No 31095/01 dated June 1997.

2 STRUCTURAL FRAME

Steel frame with intumescent paint or boarding to achieve as required fire protection.

Hot rolled structural steel trusses, shot blasted and zinc phosphate primed finish supporting cold rolled galvanised steel purlins.

3 GROUND FLOOR SLAB

In-situ mesh reinforced concrete slab on granular sub-base to core areas, wide bay reinforced concrete slab and granular sub-base to office areas designed for uniformly distributed load of 20kN/mTO THE POWER OF2 (400lb per sq ft). Insulation 'U' value is to be 0.45W/mTO THE POWER OF2 or better.

4 EXTERNAL WALLS

Masonry-cavity wall with 'Red Bank Gobelin' or similar external facing brick skin, 160mm cavity with 75mm rockwool partial cavity fill, and 140mm non-load bearing dense blockwork.

Insulation 'U' Value is to be 0.45W/mTO THE POWER OF2 or better.

Precast reconstituted stone lintels above first floor windows.

Aluminium Pvf2 coated BS 18B 25 Dark Grey RAL 7037 Light Grey flat composite Luxalon cladding panels in window bays and Kingspan cladding panels fixed horizontally with proprietary fixings at the plant room and gable ends.

5 UPPER FLOORS

Precast concrete floor slabs to first floor 260mm deep, designed for uniformly distributed load of 6kN/mTO THE POWER OF2 (120 lbs/sq ft).

Precast concrete floor slabs to plant rooms 150mm deep, designed for uniformly distributed load of 5.0KN/mTO THE POWER OF2.

6 ROOF

Aluminum mill finish standing seam Kalzip roof cladding with 170mm insulation, vapour barrier and steel liner tray, to achieve 'U' value of 0.45W/mTO THE POWER OF2. Concealed aluminium gutters and exposed downpipes.

Precast concrete floor planks to flat roof areas 150mm deep with screed to falls and Sarnafil single ply inverted flat roof system.

7 GLAZING

Double glazed polyester powder coated, colour Dark Grey BS 18 B 25 external and white RAL 9016 internal, thermally broken Hunter Douglas aluminium windows with approximately 50% top hung opening lights. Polyester powder coated aluminium doors and external fire exit doors.

All ground floor windows to south and west elevations and first floor windows to west elevations to have external aluminium Kingfisher sun louvres.

Glazed rebated entrance doors, letter box and conduit for entry control.

8 INTERNAL WALLS

Blockwork generally to underside of floors or roof structure, with a plaster finish to core areas.

Blockwork to W.C cubicles.

9 STAIRCASES

Precast concrete staircases to front entrances.

Mild steel painted balustrading and maple handrail to front staircases and landing.

Ladder access to plant rooms.

Glavanised mild steel painted external spiral fire escape stair to east and west elevation. Galvanised mild steel painted external spiral fire escape stair to south elevation.

10 INTERNAL FITTINGS

DOORS

Internal entrance doors to be solid core maple veneered with vision panels, with maple linings and architraves.

All other doors off entrance areas to be solid core maple veneered flush doors, maple linings and architraves.

Toilet cubicle doors to be maple with maple linings and architraves. Riser duct doors to be painted MDF.

DOOR FURNITURE

Pull handles and kick/push plates to be stainless steel, and other ironmongery satin anodised aluminium by Newman Tonks.

JOINERY

Skirtings to entrance and office to be maple areas. Window boards to office areas to be maple.

TOILETS

Toilet areas to have white china sanitaryware, laminate panels to concealed WC and urinal cisterns, solid acrylic resin vanity units to wash hand basins, toilet roll holders, mirrors, coat hooks and fused spur outlets for hand dryers.

11 INTERNAL FINISHES

WALLS

Front entrance, staircase, landing and office areas to be plastered and finished with emulsion paint finish.

Toilet walls to be plastered and have full height Langley ceramic tiles.

FLOORS

Staircase, landing and office areas to have Escopallas Excell carpet tiles anti-static to IBM Standard for general office use with nosings to staircase tread.

Cleaners room to be sand/cement screed with sheet vinyl flooring.

Toilet areas to be sand/cement screed with slip resistant 300 x 300mm Langley ceramic tiling.

Front entrance to have non-slip Langley ceramic tile finish with matwell and aluminum/polypropylene entrance matting.

CEILINGS

Entrance, staircase and landing areas generally to have Gyproc MF plasterboard ceiling.

Toilet areas to have exposed narrow grid Armstrong Microlux Dune suspended ceiling with 600 x 600mm moisture resisting tiles.

Office areas to have exposed narrow grid Armstrong Microlux Dune suspended ceiling with 600 x 600 tiles.

12 LIFT

2 No Eight person Schindler 100 hydraulic passenger lift.

Lift car door and returns are finished in stainless steel. Full height carpet tiles to side walls, half height carpet with tinted mirror to rear wall and handrail below. Carpet tiles to floor. Concealed lighting to ceiling.

13 ELECTRICAL INSTALLATION

The incoming electrical supply will be provided by the local electricity supply authority, and will be delivered and metered at low voltage, maximum anticipated load allowance of 290 KVA.

Separate cable risers shall be provided 1 per each building core. Electrical risers to be fitted out with lighting and small power distribution systems for first floor only. Data/communication risers to be provide space for tenant fit out.

13.1 LIGHTING

Emergency lighting, based on integral or remote battery units shall be provided to all relevant escape route areas in accordance with BS5266 and as required by the local authority.

Lighting installation shall comprise of the following areas and the artificial average illumination level will be:-

i) Entrance:- 200-300 Lux; wall mounted low energy Marlin luminaires.

ii) Staircases and landing areas:- 150 Lux; Marlin recessed low energy compact fluorescent luminaires.

iii) Toilets:- 150 Lux; low energy recessed compact fluorescent Marlin luminaires to cubicles and circulation areas, low voltage Marlin downlighters or pelmet lighting over the vanity units.

iv) Plant rooms :- 200-250 Lux; linear fluorescent luminaires with metal reflectors or compact fluorescent bulkhead luminaires surface fixed.

v) Open plan office : 400 Lux; recessed modular fluorescent luminaires in 600 x 600mm modules with 2 x 40W 2L lamps (mains frequency) and LG3 Cat 2 louvre within full accessible suspended ceiling. Facility for automatic lighting control system.

13.2 POWER DISTRIBUTION

Single and double outlet switched 13 amp socket outlets shall be positioned within the core areas and plantrooms to provide for routine maintenance, cleaning and general services.

13.3 FIRE ALARM

A "break glass" fire alarm installation and automatic smoke detection system shall be provided to all core and office areas of the building designed in accordance with BS5839, protection category L2. The alarm and detection system shall have the facility to be extended to accommodate tenant requirements. Fire alarm sounders are provided to give coverage to the whole of the building based on an open plan basis.

13.4 LIGHTNING PROTECTION

The building shall be provided with its own lightning protection system designed in accordance with BS6651.

13.5 ACCESS SYSTEM PROVISION

An access conduit system shall be provided from external doors to above suspended ceiling to all external doors for the installation of a security system by a future tenant.

14 HEATING, PLUMBING AND VENTILATION

14.1 GAS - GENERAL

2 No low pressure 65mm dia. gas connections shall be provided from the local supply authority mains to the gas meter enclosures. Both gas mains rising to serve two gas fired low pressure hot water (LPHW) 'Ideal CXD 70' boilers at roof level in the plant room which provide hot water distribution (14.4 below) and space heating (14.6 below) and shall be provided to comply with local gas board regulations.

14.2 WATER - GENERAL

2 No dedicated 35 mm dia. water connection will be provided from the local supply authority mains to 2 No cold water storage tanks in the plant room.

14.3 COLD WATER DISTRIBUTION

Cold water distribution within the 2 core areas of toilet/cleaners accommodation is provided from the storage tanks. Cold water connected to all sanitary fittings in both core areas.

14.4 HOT WATER DISTRIBUTION

The building shall be provided with four gas fired boilers in the plant room (as in 14.1 above) capable of serving hot water to all appropriate sanitary fittings in both core areas and space heating requirements in all areas. Two hot water systems will be provided with each system comprising of two gas fired boiler units, pressurisation set, primary and secondary pipework and hot water treatment equipment located within the dedicated plant room.

14.5 COOLING

Ceiling mounted localised cooling units with individual condenser plant mounted externally on flat roof areas. Each cooling unit will have a wall mounted over-ride controller for manual on/off and temperature adjustment.

14.6 HEATING

Heating will be provided by gas fired boilers (as at 14.1 above) feeding pressed steel perimeter panel radiators in all areas.

14.7 VENTILATION

Fresh air will be provided to all open plan office areas by means of roof mounted packaged air handling units containing filters, heating and cooling elements and a fan.

The filtered fresh air then being delivered at room temperature to the space from ceiling mounted grills.

Toilet/cleaners extract ventilation will be provided to serve the cores by central extract fan units in the plantroom. Supply air shall be introduced from the adjacent circulation areas. Toilet and cleaners areas shall be maintained at a negative pressure with respect to surrounding areas to control migration of odours etc.

Ventilation to the roof plant rooms shall be provided to meet local authority requirements via louvres in the external walls.

14.8 General

The sanitary and plumbing systems to serve the toilet and cleaner accommodation shall be designed in accordance with current Codes of Practice and to suit requirements of local authority.

1 INCOMING SERVICES

Services to be installed to the buildings as follows:-

FOUL AND SURFACE WATER SEWERS - Connected to existing main drainage system.

ELECTRICITY - Cables to be laid to existing SEB low voltage system.

GAS - Pipes to be laid to British Gas main supply.

BT, MERCURY AND COMTEL - Ducts to be installed for BT, Mercury Communications and Comtel.

WATER SUPPLY - Pipework to be laid to existing Thames Water mains supply.

2 EXTERNAL LIGHTING

Lighting to pedestrian access, car parking, utility and amenity space with low level bollards and 5m columns with amenity luminaires, Thorn Johanna or similar with 150W high pressure SON lamp in a decorative housing with a dished reflector above, to achieve average illuminance of 3-5 Lux.

PART VII
GUARANTEE PROVISIONS

(1). The Guarantor guarantees to the Landlord the due and punctual payment and performance by the Tenant of all the tenant's obligations and liabilities under this Lease and shall indemnify the Landlord against all losses damages costs and expenses arising or incurred by the Landlord as a result of the non-payment or non-performance of those obligations or liabilities

(2). The obligations of the Guarantor under this Lease:-

(a) constitute a direct primary and unconditional liability to pay on demand to the Landlord any sum which the Tenant is liable to pay under this Lease and to perform on demand by the Landlord any obligation of the Tenant under this Lease without the need for any recourse on the part of the Landlord against the Tenant;

2.(b) will not be affected by:

2.(b)1 any time or indulgence granted to the Tenant by the Landlord;

2.(b)2 any legal limitation disability or other circumstances relating to the Tenant or any irregularity unenforceability or invalidity of any obligations of the Tenant under this Lease;

2.(b)3 any licence or consent granted to the Tenant or any variation in the terms of this Lease save as provided in Section 18 of the Landlord and tenant (Covenants) Act 1995;

2.(b)4 the release of one or more of the parties defined as the Guarantor (if more than one); or

2.(b)5 any other act omission matter event or thing whereby (but for this provision) the Guarantor would be exonerated in whole or in part from the guarantee other than a release by deed given by the Landlord.

(3) So long as this guarantee remains in force the Guarantor shall not:-

3.(a) in the event of any bankruptcy liquidation rehabilitation, moratorium or other insolvency proceedings relating to the Tenant claim or prove as creditor in competition with the Landlord; or

3.(b) be entitled to claim or participate in any security held by the Landlord in respect of the obligations of the Tenant under this Lease; or

3.(c) exercise any right of set-off against the Tenant

(4). If:-

4.(a) the Tenant (being a company) enters into liquidation and the liquidator disclaims this Lease; or

4.(b) the Tenant (being a company) is dissolved and the Crown disclaims this Lease; or

4.(c) the Tenant (being an individual) becomes bankrupt and the trustee in bankruptcy disclaims this Lease; or

4.(d) this Lease is forfeited

then within six months after the disclaimer or forfeiture the Landlord may require the Guarantor by notice to accept a lease of the Premises for a term equivalent to the residue which would have remained of the Term if there had been no disclaimer or forfeiture at the same rents and subject to the same covenants and conditions (including those as to the review of rent) as are reserved by and contained in this Lease

(5). The new lease and the rights and liabilities under it shall take effect as from the date of the disclaimer or forfeiture and the Guarantor shall be liable for all payments due under the new lease as from the date of disclaimer or forfeiture as if the new lease had been granted on the date of disclaimer or forfeiture.

(6). The Guarantor or his personal representatives shall pay the Landlord's costs of and accept the new lease and shall execute and deliver to the Landlord a counterpart of it.

(7). If the Landlord does not require the Guarantor to take a lease of the Premises the Guarantor shall pay to the Landlord on demand a sum equal to the rents that would have been payable under this Lease but for the disclaimer or forfeiture in respect of the period from the date of the disclaimer or forfeiture until the date which is six months after the date of the disclaimer or forfeiture or the date on which the Premises have been re-let by the Landlord whichever first occurs

EXECUTED as a DEED)
by MILTON PARK LIMITED)
acting by:-)

Director

Secretary

EXECUTED as a DEED)
by VERTEX PHARMACEUTICALS)
(EUROPE) LIMITED acting by:-)

Director

Secretary

EXECUTED AS A DEED)
by VERTEX PHARMACEUTICALS)
INCORPORATED acting by:-)

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of Vertex Pharmaceuticals Incorporated on Form S-8 (File Nos. 33-48030, 33-48348, 33-65742, 33-93224, 33-12325, 333-27011 and 333-56179) of our report dated February 25, 1999 on our audits of the consolidated financial statements of Vertex Pharmaceuticals Incorporated, as of December 31, 1998 and 1997, and for years ended December 31, 1998, 1997 and 1996, which report is included in this annual report on Form 10-K.

PricewaterhouseCoopers LLP
Boston, Massachusetts
March 29, 1999

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S YEAR END REPORT ON FORM 10-K, FOR THE TWELVE MONTHS ENDED DECEMBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
U.S. DOLLARS

12-MOS	
DEC-31-1998	
JAN-31-1998	
DEC-31-1998	
1.0	
	24,169
221,483	
0	
0	
0	
248,708	
	42,621
(28,145)	
266,346	
13,102	
	0
0	
0	
254	
245,958	
0	
	0
44,398	
	0
76,803	
0	
0	
681	
(33,086)	
0	
(33,086)	
0	
0	
0	
(33,086)	
(1.31)	
(1.31)	