SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[x] Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 For the quarterly period ended September 30, 1999
OR
[ ] Transition report pursuant to Section 13 or 15(d) of the Securities and 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 or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

130 WAVERLY STREET, CAMBRIDGE, MASSACHUSETTS 02139-4242
(Address of principal executive offices, including zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO
--- ---

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

Class	Outstanding at November 8, 1999
COMMON STOCK, PAR VALUE $.01 PER SHARE	25,644,002

VERTEX PHARMACEUTICALS INCORPORATED

INDEX

		PAGE
PART I. - FINANCIAL INFORMATION		
Item 1.	Condensed Consolidated Financial Statements	
	Report of Independent Accountants	3
	Condensed Consolidated Balance Sheets - September 30, 1999 and December 31, 1998	4
	Condensed Consolidated Statements of Operations - Three Months Ended September 30, 1999 and 1998	5
	Condensed Consolidated Statements of Operations - Nine Months Ended September 30, 1999 and 1998	6
	Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 1999 and 1998	7
	Notes to Condensed Consolidated Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	10
PART II. - OTHER INFORMATION		15
Exhibits		15
Signatures		16

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have reviewed the accompanying condensed consolidated balance sheet of Vertex Pharmaceuticals Incorporated as of September 30, 1999, and the related condensed consolidated statements of operations for each of the three month and nine month periods ended September 30, 1999 and 1998 and the condensed consolidated statements of cash flows for the nine-month periods ended September 30, 1999 and 1998. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed consolidated interim financial statements for them to be in conformity with generally accepted accounting principles.

We have previously audited in accordance with generally accepted auditing standards, the consolidated balance sheet as of December 31, 1998, and the related consolidated statements of operations, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 25, 1999, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1998, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

PricewaterhouseCoopers LLP

Boston, Massachusetts
October 26, 1999

VERTEX PHARMACEUTICALS INCORPORATED
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)
(Unaudited)

	September 30, 1999	December 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$22,369	$ 24,169
Short-term investments	165,745	221,483
Accounts receivable	4,790	1,462
Prepaid expenses	1,222	1,594
Total current assets	194,126	248,708
Restricted cash	4,198	2,316
Property and equipment, net	23,603	14,476
Investment in equity affiliate	2,446	---
Other assets	475	846
Total assets	$224,848	$ 266,346
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Obligations under capital lease and debt	$ 2,452	$ 2,752
Accounts payable and accrued expenses	10,619	10,350
Total current liabilities	13,071	13,102
Obligations under capital leases and debt, excluding current portion	5,257	7,032
Total liabilities	18,328	20,134
Stockholders' equity:		
Preferred stock, $.01 par value;1,000,000 authorized none issued		
Commonstock, $.01 par value; 100,000,000 authorized; issued and outstanding - 25,603,528 shares in 1999 and 25,358,559 shares in 1998	256	254
Additional paid-in capital	399,136	395,165
Accumulated other comprehensive income	(330)	654
Accumulated deficit	(192,542)	(149,861)
Total stockholders' equity	206,520	246,212
Total liabilities and stockholders' equity	$224,848	$ 266,346

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

VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended September 30,	
	1999	1998
Revenues:		
Royalties and product sales	$2,180	---
Collaborative and other research and development	5,045	$14,633
Investment income	2,336	3,784
Total revenues	9,561	18,417
Costs and expenses:		
Royalties and product costs	727	---
Research and development	16,421	15,741
General and administrative	6,415	4,772
Loss in equity affiliate	129	---
Interest	155	177
Total costs and expenses	23,847	20,690
Net loss	$(14,286)	$ (2,273)
Basic and diluted net loss per common share	$ (.56)	$ (0.09)
Basic and diluted weighted average number of common shares outstanding	25,552	25,308

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

VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share amounts)

	Nine Months Ended September 30,	
	1999	1998
Revenues:		
Royalties and product sales	$ 5,054	---
Collaborative and other research and development	18,650	$ 21,053
Investment income	8,314	11,685
Total revenues	32,018	32,738
Costs and expenses:		
Royalties and product costs	1,926	---
Research and development	54,055	40,554
General and administrative	17,653	12,189
Loss in equity affiliate	554	---
Interest	511	484
Total costs and expenses	74,699	53,227
Net loss	$(42,681)	$(20,489)
Basic and diluted net loss per common share	$ (1.68)	$ (0.81)
Basic and diluted weighted average number of common shares outstanding	25,473	25,282

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

VERTEX PHARMACEUTICALS INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Nine Months Ended September 30,	
	1999	1998
Cash flows from operating activities:		
Net loss	$(42,681)	$(20,489)
Adjustment to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	4,343	3,116
Realized gains/(losses) on short-term investments	(539)	327
Loss in equity affiliate	554	---
Changes in assets and liabilities:		
Accounts Receivable	(3,328)	(54)
Prepaid expenses	372	34
Accounts payable and accrued expenses	269	(2,312)
Deferred revenue	---	(556)
Net cash used by operating activities	(41,010)	(19,934)
Cash flows from investing activities:		
Purchases of short-term investments	(288,839)	(459,716)
Sales and maturities of short-term investments	343,933	459,903
Expenditures for property and equipment	(13,470)	(5,730)
Restricted cash	(1,882)	
Investment in equity affiliate	(3,000)	---
Other assets	371	(391)
Net cash provided (used) by investing activities	37,113	(5,934)
Cash flows from financing activities:		
Repayment of capital lease obligations and debt	(2,075)	(2,030)
Proceeds from debt	---	4,084
Proceeds from other issuances of common stock	3,973	2,002
Net cash provided by financing activities	1,898	4,056
Effect of exchange rate changes on cash	199	10
Decrease in cash and cash equivalents	(1,800)	(21,802)
Cash and cash equivalents at beginning of period	24,169	71,454
Cash and cash equivalents at end of period	$ 22,369	$ 49,652

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

VERTEX PHARMACEUTICALS INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

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

Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. Certain prior year amounts have been reclassified to conform with current year presentation. The interim financial statements, in the opinion of management, reflect all adjustments (including normal recurring accruals) necessary for a fair statement of the results for the interim periods ended September 30, 1999 and 1998.

The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the fiscal year, although the Company expects to incur a substantial loss for the year ended December 31, 1999. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 1998, which are contained in the Company's 1998 Annual Report to its shareholders and in its Form 10-K filed with the Securities and Exchange Commission.

2. ACCOUNTING POLICIES

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 that have not yet been earned under research and development arrangements. The Company recognizes milestone payments when the milestones are achieved. Royalty revenue is recognized based on actual and estimated sales of licensed products in licensed territories net of actual and estimated discounts, rebates, chargebacks and returns. Product sales revenue is recorded upon shipment.

BASIC AND DILUTED LOSS PER COMMON SHARE

Basic loss per share is based upon the weighted average number of common shares outstanding during the period. Diluted loss 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. Total potential common equivalent shares consist of 5,753,225 stock options outstanding with a weighted average exercise price of $22.96 as of September 30, 1999.

3. COMPREHENSIVE INCOME

For the nine months ended September 30, 1999 and 1998 total comprehensive loss was as follows (in thousands):

	September 30, 1999	September 30, 1998
Net loss	$ (42,681)	$ (20,489)
Other comprehensive income (loss):		
Unrealized holding gains (losses) on investments	(1,183)	1,559
Foreign currency translation adjustment	199	10
Total other comprehensive income (loss)	(984)	1,569
Total comprehensive loss	$(43,665)	$ (18,920)

4. RESTRUCTURED INVESTMENT IN ALTUS BIOLOGICS INC.

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 in exchange for preferred stock and warrants. The preferred stock provides Vertex with a minority ownership position in Altus, and the warrants become exercisable upon certain events. 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. Vertex records its percentage of Altus' net income and losses using the equity method of accounting.

5. AGENERASE APPROVAL

Agenerase-TM- was granted accelerated approval by the U.S. Food and Drug Administration on April 15, 1999 for use in combination with other antiretrovirals for the treatment of HIV infection. In connection with approval of Agenerase, the Company earned a $5 million milestone payment under the agreement with Glaxo Wellcome plc. Agenerase royalty revenue was recognized for the first time in the second quarter of 1999.

6. RECENT COLLABORATIVE AGREEMENTS

On September 1, 1999, the Company and Hoechst Marion Roussel Deutschland GmbH ("HMR") entered into an expanded agreement covering the development of VX-740, an orally active inhibitor of interleukin-1 beta converting enzyme (ICE). Under the agreement, HMR will pay the Company $20 million in closing payments in connection with prior research, up to $62 million in milestone payments for successful development by HMR of VX-740 in rheumatoid arthritis, the first targeted indication, as well as similar milestones for each additional indication. HMR will hold an exclusive worldwide license to develop, manufacture and market VX-740, as well as an exclusive option for all other compounds discovered as part of the research collaboration that ended in 1997. HMR will fund the development of VX-740. Vertex will co-promote the product in the U.S. and Europe and will receive royalties on global sales, as well as a co-promotion royalty and reimbursement of its co-promotion costs. The agreement was subject to U.S. government approval under the Hart-Scott Rodino Antitrust Improvements Act of 1976.

On September 16, 1999 HMR commenced a Phase II clinical trial of VX-740 in patients with rheumatoid arthritis. Upon U.S. government approval under the Hart-Scott Rodino Antitrust Improvements Act of 1976, the company will record $5 million as revenue related to this milestone.

7. 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.

8. SUBSEQUENT EVENT

On October 9, 1999 the Company received clearance for the HMR agreement under the Hart-Scott Rodino Antitrust Improvements Act of 1976. The Company will recognize $15 million in revenue for closing and milestone payments in the fourth quarter of 1999.

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 OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K 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 discovers, develops and markets small molecule drugs that address major unmet medical needs. The Company has drug candidates in clinical development to treat viral diseases, inflammation, cancer, autoimmune diseases and neurological disorders. The Company has created its pipeline using a proprietary approach, information-driven drug design, that integrates multiple technologies in biology, chemistry and biophysics aimed at increasing the speed and success rate of drug discovery. The Company's first approved product is Agenerase-TM- (amprenavir), an HIV protease inhibitor, which Vertex co-promotes with Glaxo Wellcome plc ("Glaxo Wellcome"). The Company is earning a royalty from Glaxo Wellcome from sales of Agenerase.

The Company's lead product, Agenerase-TM- (amprenavir), received U.S. FDA approval on April 15, 1999 for the treatment of HIV infection through an expedited review process. Glaxo Wellcome, Vertex's partner, has also submitted applications for market approval to regulatory agencies in countries throughout the world. The Company has incurred operating losses since its inception and expects to incur a loss in 1999. The Company expects that operating losses will continue beyond 1999 even if significant royalties are realized on Agenerase 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

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED WITH THREE MONTHS ENDED SEPTEMBER 30, 1998.

The Company's total revenues decreased to $9,561,000 in the third quarter of 1999 from $18,417,000 in the third quarter of 1998. In the third quarter of 1999, royalty and product sales revenue was $2,180,000, $5,045,000 was earned under the Company's collaborative agreements and other research and development revenue, and $2,336,000 was earned in investment income. In the third quarter of 1998, the Company earned $14,407,000 in revenue from its collaborative agreements and $226,000 in other research and development revenue, and $3,784,000 in investment income.

The lower collaborative revenue during the third quarter of 1999 as compared to the third quarter of 1998 was principally due to recognition of $9,000,000 in revenue from Schering AG in August 1998 associated with an agreement signed in the same month. In addition, Vertex earned a $2,000,000 milestone from Kissei in 1998 for selection of a clinical candidate in the Company's p38 MAP kinase program. Investment income decreased due to a lower level of cash and investments in the third quarter of 1999 as compared with the same period in 1998.

The Company's total costs and expenses increased to $23,847,000 in the third quarter of 1999 from $20,690,000 in the third quarter of 1998. Royalties and product costs were $727,000 in the third quarter of 1999.

Research and development expenses increased to $16,421,000 in the third quarter of 1999 from $15,741,000 in the third quarter of 1998 principally due to the continued expansion of the Company's research and development organization. The Company's U.K. subsidiary expanded from a business development operation to include scientific research and development staff and facilities in the second half of 1998.

General and administrative expenses increased to $6,415,000 in the third quarter of 1999 from $4,772,000 in the third quarter of 1998. The increase in general and administrative expenses principally reflects the impact of personnel additions and a continued increase in marketing activities particularly associated with Agenerase. In addition, legal and patent expenses have increased as the Company continues to protect its intellectual property and contests a suit filed by Chiron Corporation claiming infringement of various U.S. patents issued to Chiron. While the final outcome of the litigation with Chiron cannot be determined, the Company believes, based on information currently available, that the ultimate outcome of the action will not have a material impact on its consolidated financial position.

Using the equity method of accounting, the Company recorded $129,000 as its share of the loss in Altus for the third quarter of 1999.

Interest expense was $155,000 in the third quarter of 1999 as compared to $177,000 in the third quarter of 1998 due to lower levels of equipment lease debt during the quarter.

For the reasons stated above, the Company recorded a net loss of $14,286,000 or $0.56 per share in the third quarter of 1999 compared to a net loss of $2,273,000 or $0.09 per share in the third quarter of 1998.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED WITH NINE MONTHS ENDED SEPTEMBER 30, 1998.

The Company's total revenues were $32,018,000 for the nine months ended September 30, 1999 compared to $32,738,000 for the nine months ended September 30, 1998. In 1999, the Company's revenues consisted of $5,054,000 in royalty and product sales revenue, $18,650,000 under the Company's collaborative agreements and other research and development revenue, and $8,314,000 in investment income. In 1998, the Company's revenues consisted of $20,368,000 earned under the Company's collaborative agreements and $11,685,000 in investment income and $685,000 in government grants and other income.

Royalty and product sales revenue for the nine month period ending September 30, 1999 consist of Agenerase royalty revenue from Glaxo Wellcome as well as revenue from sales of commercial drug substance to Kissei in Japan. Agenerase royalty revenue from Glaxo Wellcome is based upon the worldwide sales (outside the Far East) of the drug net of actual and estimated discounts, rebates, chargebacks, and product returns. These sales reflect prescriptions as well as initial trade stocking which the Company expects will adjust to be consistent with underlying demand over the remainder of the year.

Revenue under the Company's collaborative agreements decreased $2,403,000 for the nine months ended September 30, 1999 as compared with the same period in 1998. In addition to research and development funding, the company earned $9,000,000 from Schering AG in August 1998 associated with a new collaborative agreement for the Company's neurophilins program. The Company earned a $5,000,000 milestone payment from Glaxo Wellcome for U.S. FDA approval of Agenerase in April 1999 and a $1,000,000 milestone payment from Kissei in July 1999 in connection with the filing for approval to market Prozei -TM- (amprenavir) in Japan.

The Company's total costs increased to $74,699,000 for the nine months ended September 30, 1999 from $53,227,000 for the nine months ended September 30, 1998. Royalties and product costs of $1,926,000 consist of royalty payments to G.D. Searle & Co. under a patent license and the cost of commercial drug substance sold to Kissei.

Research and development expenses increased to $54,055,000 in the first three quarters of 1999 from $40,554,000 in the first three quarters of 1998. The first three quarters of 1999 include expenses for the U.K. research and development staffing and facilities growth initiated in the second half of 1998. Additionally, development expenses were higher in the first three quarters of 1999 due to the commencement of clinical trials in the second half of 1998 and an increase in activities associated with the Company's IMPDH program for psoriasis and hepatitis C, its neurophilins program for diabetic neuropathy, and its p38 MAP kinase program for inflammatory diseases.

General and administrative expenses increased during the first three quarters of 1999 to $17,653,000 from $12,189,000 in the first three quarters of 1998 due primarily to increases in personnel and professional expenses, particularly associated with the marketing of Agenerase and corporate advertising activities. Legal and patent expenses have increased as the Company continues to protect its intellectual property and contests a suit filed by Chiron Corporation.

Using the equity method of accounting, the Company recorded $554,000 as its share of the loss in Altus in the first three quarters of 1999.

Interest expense was $511,000 in the first three quarters of 1999, an increase from $484,000 in the first three quarters of 1998 due to a higher blended interest rate on similar levels of equipment lease financing during the year.

For the reasons stated above, the Company incurred a net loss of $42,681,000 or $1.68 per share in the nine months ended September 30, 1999 compared to a net loss of $20,489,000 or $0.81 per share in the nine months ended September 30, 1998.

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 lease financing, and investment income. The Company expects to incur increased research and development and related supporting expenses and, consequently, may continue to experience losses on a quarterly and annual basis as it continues to develop existing and future compounds and conduct clinical trials of potential drugs. 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 royalties from the sale of Agenerase, its existing cash and investments of approximately $188 million at September 30, 1999, together with investment income earned thereon, future payments under its existing and future 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 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 $57,538,000 during the nine months ended September 30, 1999 to $188,114,000. Cash used by operations was $41,010,000 during the same period. Accounts receivable increased $3,328,000 during the first three quarters of 1999 due primarily to the recording of a royalty receivable from Glaxo Wellcome for Agenerase sales. Restricted cash increased $1,882,000 during the nine months ended September 30, 1999 as the Company issued a letter of credit for a security deposit under one of the Company's facilities leases in connection with the acquisition of additional space at the end of 1998. The Company continues to invest in equipment and leasehold improvements for its facilities to match the growth in its headcount. The Company also restructured its investment in Altus and as part of the transaction Vertex provided Altus $3,000,000 in cash in exchange for new classes of preferred stock and warrants. As a result of the transaction, Altus now operates independently from Vertex.

In October 1999, the Company entered into an operating lease agreement for an additional facility. The lease will commence in the second quarter of 2000 and have an initial term through the year 2010. The Company has the option to extend the term thereafter. Related to this facility, the Company will continue to make significant investments in leasehold improvements and equipment.

YEAR 2000

The Company is conducting a program to address the impact of the Year 2000 on the processing of date sensitive information by the Company's computer systems and software ("IT Systems"), embedded systems in its non-computer equipment ("Non-IT Systems") and relationships with certain third parties.

In the first stage of the program, the Company determined which IT Systems, Non-IT Systems and third party relationships were critical to the Company's business. This review has been completed. The Company does not intend to perform a comprehensive review of systems and third parties that are not deemed critical, and the Company cannot guarantee that such systems and entities will be Year 2000 compliant.

The Company has completed its assessment of its critical IT Systems and determined the actions necessary in order to ensure that they will function without disruption. The Company has completed remediation and testing of its critical IT Systems.

The Company has also completed its assessment, testing, and remediation of its critical Non-IT Systems for Year 2000 compliance. Some non-critical Non-IT Systems are non-compliant and, because of the age of those systems or other factors, cannot be made compliant. The Company has formulated contingency plans for each of those systems which are non-compliant and cannot be made compliant.

The Company has contacted third parties that provide goods, services and information that are deemed critical to the Company's business. If these or other parties experience Y2K failures or malfunctions there could be an adverse impact on the Company's ability to conduct operations, including conducting continued research development efforts. The Company is currently reviewing the responses and Year 2000 website statements of these entities to assess their Year 2000 compliance. The Company expects to formulate contingency plans by the end of November 1999 for the services provided by third parties that are found to be non-compliant, or where the Company is unable to determine whether a third party is compliant. There can be no assurance, however, that the Company will be able to locate alternate sources for goods or services furnished by non-compliant providers. In addition, there can be no guarantee that any contingency plans developed by the Company will prevent such failures from having a material adverse effect. At this time, the Company does not anticipate this worst case scenario to occur, nor does Vertex anticipate any major interruptions in its ability to provide products and services to our customers.

The Company is using both internal and external resources to conduct its Year 2000 program. The total costs, both out-of-pocket and internal, of the Company's Year 2000 program have not been material. Other IT Systems projects have not been significantly deferred as a result of the Company's Year 2000 program, because the Company was able to integrate much of its Year 2000 assessment and remediation effort into its routine maintenance and upgrade programs. The Company has funded these Year 2000 costs through available cash and expects its remaining costs to be immaterial as well. However, the Company may experience unexpected costs in the beginning of the year 2000 which could result in a material adverse effect on the Company's results of operations.

There can be no assurance that the Company's Year 2000 assessment and any required remedial actions and contingency plans will be successfully completed on a timely basis.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the Company's assessment of market risk as disclosed in its Annual Report on Form 10-K for the year ended December 31, 1998.

PART II.

OTHER INFORMATION

Item 6. EXHIBITS:

10.1	License, Development and Commercialization Agreement between the Company and Hoechst Marion Roussel Deutschland GmbH dated September 1, 1999 (filed herewith with certain confidential information deleted).
10.27	Lease by and between Trustees of Fort Washington Realty Trust, Landlord, and the Company as Tenant, executed September 17, 1999 (filed herewith with certain confidential information deleted).
27	Financial Data Schedule (Submitted as an exhibit only in the electronic format of this Quarterly Report on Form 10-Q submitted to the Securities and Exchange Commission).
99	Letter of Independent Accountants.

REPORTS ON FORM 8-K:

None

SIGNATURES

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

VERTEX PHARMACEUTICALS INCORPORATED

Date: November 15, 1999

/S/ THOMAS G. AUCHINCLOSS

Thomas G. Auchincloss, Jr.
Vice President of Finance and Treasurer
(Principal Financial Officer)

Date: November 15, 1999

/S/ HANS D. VAN HOUTE

Hans D. van Houte
Controller and Assistant Treasurer
(Principal Accounting Officer)

EXHIBIT 10.1

VERTEX PHARMACEUTICALS INCORPORATED HAS OMITTED FROM THIS EXHIBIT 10.1 PORTIONS OF THE AGREEMENT FOR WHICH THE COMPANY HAS REQUESTED CONFIDENTIAL TREATMENT FROM THE SECURITIES AND EXCHANGE COMMISSION. THE PORTIONS OF THIS EXHIBIT FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED ARE MARKED WITH BRACKETED ASTERISKS ([****]), AND SUCH CONFIDENTIAL PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

LICENSE, DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

BETWEEN

VERTEX PHARMACEUTICALS INCORPORATED

AND

HOECHST MARION ROUSSEL DEUTSCHLAND GMBH

Execution Copy--September 1, 1999

INTRODUCTION..... 1

ARTICLE I-- DEFINITIONS..... 2

ARTICLE II-- LICENSE..... 9

2.1 Grant to HMR..... 9
2.2 Grant to VERTEX..... 10
2.3 Second Generation Compounds..... 11
2.4 Noncompete..... 11

ARTICLE III-- DEVELOPMENT..... 12

3.1 Development Option..... 12
3.2 Joint Development Committee..... 16
3.3 Development Plan..... 21
3.4 Development Responsibility and Costs..... 21
3.5 Regulatory Approvals..... 22
3.6 Step-In Rights..... 23
3.7 Reasonable Efforts in Development..... 25

ARTICLE IV-- MANUFACTURE AND SUPPLY..... 25

4.1 Manufacturing of Bulk Drug Substance and Drug Product..... 25

ARTICLE V-- COMMERCIALIZATION..... 26

5.1 Marketing and Promotion..... 26
5.2 Joint Marketing Committee..... 26
5.3 Marketing Plans..... 28
5.4 Co-Promotion in North America..... 30
5.5 European Co-promotion Rights..... 33
5.6 Termination of Co-Promotion Obligations..... 34
5.7 Co-labeling..... 34
5.8 Marketing Efforts..... 35

ARTICLE VI-- PAYMENTS..... 35

6.1 Closing Payment..... 35
6.2 Milestone Payments by HMR..... 36
6.3 Royalties..... 41
6.4 Term for Royalty Payments..... 44
6.5 [**********]..... 45
6.6 Sales Reports..... 45

ARTICLE VII-- INTELLECTUAL PROPERTY..... 49

7.1 Information Sharing..... 49
7.2 Patentable Inventions and Know-How..... 50
7.3 Infringement Claims by Third Parties..... 56
7.4 Infringement Claims Against Third Parties..... 58
7.5 Notice of Certification..... 59
7.6 Patent Term Extensions..... 60

ARTICLE VIII-- REPORTING..... 61

8.1 Exchange of Information..... 61

ARTICLE IX-- REPRESENTATIONS AND WARRANTIES OF VERTEX..... 62

9.1 VERTEX Represents and Warrants to HMR..... 62

ARTICLE X-- REPRESENTATIONS AND WARRANTIES OF HMR..... 62

10.1 HMR Represents and Warrants to VERTEX..... 62

ARTICLE XI-- CONFIDENTIALITY..... 63

11.1 Undertaking..... 63
11.2 Exceptions..... 64
11.3 Publicity..... 65
11.4 Survival..... 65

ARTICLE XII-- PUBLICATION..... 65

12.1 Publication..... 65

ARTICLE XIII-- TERM AND TERMINATION..... 67

13.1 Term..... 67
13.2 Termination by VERTEX for Cause..... 68
13.3 HMR Right to Terminate Without Cause..... 69
13.4 HMR Right to Terminate for Lack of Commercial Viability..... 70
13.5 Termination of Co-Promotion Rights..... 70
13.6 Termination by HMR for Cause..... 71
13.7 Effects of Termination..... 72

ARTICLE XIV-- INDEMNIFICATION..... 74

14.1 Indemnification by VERTEX..... 74
14.2 Indemnification by HMR..... 74
14.3 Claims Procedures..... 75
14.4 Compliance..... 76
14.5 Insurance..... 76

ARTICLE XV-- MISCELLANEOUS PROVISIONS..... 77

15.1 Governing Law; Jurisdiction..... 77
15.2 Waiver..... 77
15.3 Force Majeure..... 77
15.4 Registration of License..... 77
15.5 Severability..... 77
15.6 Government Acts..... 78
15.7 Government Approvals..... 78
15.8 Assignment..... 78
15.9 Affiliates..... 79
15.10 Counterparts..... 77

15.11 No Agency..... 79
15.12 Notice..... 79
15.13 Headings..... 80
15.14 Authority..... 80
15.15 Entire Agreement..... 80

Schedule 1.5 -- Compounds
Schedule 1.19 -- HMR Patents
Schedule 1.25 -- Countries of Latin America
Schedule 1.26 -- Major Market Countries
Schedule 1.42 -- VERTEX Patents
Schedule 7.2.1 -- Prior Patents
Schedule 7.2.2 -- Minimum Patent Filing Countries
Schedule 9.1 -- VERTEX Disclosures

LICENSE, DEVELOPMENT AND COMMERCIALIZATION AGREEMENT

This Agreement is made and entered into as of September 1, 1999 (the "Effective Date") between Vertex Pharmaceuticals Incorporated (hereinafter "VERTEX"), a Massachusetts corporation with principal offices at 130 Waverly Street, Cambridge, MA 02139-4242, and Hoechst Marion Roussel Deutschland GmbH (hereinafter "HMR"), a German corporation with principal offices at Koenigsteiner Strasse 10, 65812 Bad Soden am Taunus, Germany.

INTRODUCTION

WHEREAS, VERTEX and Roussel Uclaf were parties to a certain Research, Development and License Agreement dated September 8, 1993 (the "Research Agreement") under which VERTEX and Roussel Uclaf collaborated in the discovery and design of novel compounds targeted at inhibition of interleukin 1(beta) converting enzyme ("ICE") for the treatment of inflammation; and

WHEREAS, HMR is Roussel Uclaf's successor in interest under the Research Agreement; and

WHEREAS, the parties have elected to develop and commercialize certain compounds discovered and/or tested in the course of the Research Program and to provide HMR with a further option to develop and commercialize certain other compounds as set forth herein; and

WHEREAS, VERTEX and HMR intend for development and commercialization to proceed under the terms of this Agreement, which supercedes the provisions of the License Agreement attached as Exhibit A to the Research Agreement; and

NOW THEREFORE, in consideration of the foregoing premises, the parties agree as follows:

ARTICLE I
DEFINITIONS

For purposes of this Agreement, the following initially capitalized terms in this Agreement, whether used in the singular or plural, shall have the following meanings:

1.1 "AFFILIATE" shall mean, with respect to any Person, any other Person which

directly or indirectly, by itself or through one or more intermediaries, controls, or is controlled by, or is under direct or indirect common control with, such Person. The term "control" means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Control will be presumed if one Person owns, either of record or beneficially, more than 50% of the voting stock of any other Person.

1.2 "BUSINESS DAY" shall mean any day, Monday through Friday, on which banking institutions in Frankfurt, Germany and Boston, Massachusetts, are open for business.

1.3 "BULK DRUG SUBSTANCE" shall mean a Drug Product Candidate in bulk crystal, powder or other form suitable for incorporation in a Drug Product.

1.4 "CLOSING DATE" shall mean the latest of (a) the date on which VERTEX executes this Agreement; (b) the date on which HMR executes this Agreement; and (c) if applicable, the third business day following the expiration or earlier termination of any notice and waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended ("HSR Act").

1.5 "COMPOUND" shall mean (a) the chemical compound referred to by HMR as HMR3480 and by VERTEX as VX-740 and identified as such on SCHEDULE 1.5 (hereinafter referred to as "HMR3480/VX-740"); (b) all other compounds that fall within the scope of a Live Claim of a Patent and that (i) possess each of the following characteristics (referencing HMR3480/VX-740): [**
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**********] on or before December 31, 1997 during the course of the Research Program conducted under the Research Agreement. Compounds which are described in Subsections 1.5(a) and (b) are sometimes referred to in this Agreement as the "AB Compounds." Compounds which are described in Subsection 1.5(c) are sometimes referred to in this Agreement as the "C

Compounds."

1.6 "CONTROLLED" shall mean the legal authority or right of a party hereto to grant a license or sublicense of intellectual property rights to another party hereto, or to otherwise disclose proprietary or trade secret information to such other party, without breaching the terms of any agreement with a Third Party, infringing upon the intellectual property rights of a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

1.7 "CO-PROMOTE" shall mean the right of VERTEX, as provided herein and subject to applicable law, to promote and Detail (as defined in this Section) Drug Product in North America and in the European Union through its own sales force and to otherwise engage in activities in accordance with the provisions of Article V hereof, as may be applicable. "DETAIL", as used above, shall mean [**********
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1.8 "DEVELOPMENT OPTION" shall have the meaning ascribed to it in Section 3.1 hereof.

1.9 "DEVELOPMENT PLAN" shall have the meaning ascribed to it in Section 3.3 hereof.

1.10 "DEVELOPMENT PROGRAM" shall mean activities associated with development of a Bulk Drug Substance, Drug Product Candidate and/or a Drug Product for sale, including but not limited to:
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1.11 "DRUG PRODUCT" shall mean a finished dosage form which is prepared from Bulk Drug Substance and is ready for administration to the ultimate consumer as a pharmaceutical product.

1.12 "DRUG PRODUCT CANDIDATE" shall mean any Compound as to which HMR has exercised its Development Option.

1.13 "EFFECTIVE DATE" shall mean the date specified in the first paragraph of this Agreement.

1.14 "EUROPEAN UNION" shall include Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, The Netherlands, Portugal, Spain, Sweden, the United Kingdom and any other countries that may have been admitted to the European Union as of the Effective Date.

1.15 "FIELD" shall mean the diagnosis, treatment, and treatment monitoring of diseases in humans associated with interleukin-1 beta production.

1.16 "FIRST COMMERCIAL SALE" shall mean the first shipment of a Drug Product to a Third Party by HMR or an Affiliate or sublicensee of HMR in a country in the Territory following applicable Regulatory Approval of the Drug Product in such country.

1.17 "GMP" shall mean the current Good Manufacturing Practice regulations promulgated by the FDA, published at 21 CFR Part 210 et seq., as such regulations may be amended, and such equivalent foreign regulations or standards as may be applicable with respect to Bulk Drug Substance or Drug Product(s) manufactured or sold outside the United States.

1.18 "HMR KNOW-HOW" shall mean all Know-How of HMR.

1.19 "HMR PATENTS" shall mean any Patents Controlled by HMR (or any of its Affiliates) claiming a Compound or a method of using a Compound or an improvement to the subject matter of a Patent covering a Compound or a method of using a Compound. A list of HMR Patents is appended hereto as SCHEDULE

1.19 and will be updated periodically to reflect additions thereto during the course of the Agreement.

1.20 "HMR TECHNOLOGY" shall mean all HMR Patents and all HMR Know-How.

1.21 "JOINT DEVELOPMENT COMMITTEE" or "JDC" shall have the meaning ascribed to it in Section 3.2 hereof.

1.22 "JOINT MARKETING COMMITTEE" or "JMC" shall have the meaning ascribed to it in Section 5.2 hereof.

1.23 "KNOW-HOW" shall mean all proprietary material and information including data, technical information, know-how, experience, inventions, discoveries, trade secrets, compositions of matter and methods, whether currently existing or developed or obtained during the course of this Agreement and whether or not patentable or confidential, that are now Controlled by a party or its Affiliates, and that relate to the development, utilization, or use of any Compound, Drug Product Candidate or Drug Product, including but not limited to processes, techniques, methods, products, materials and compositions; PROVIDED, HOWEVER, that for the purposes of the definition of "HMR KNOW-HOW" only, the term "KNOW-HOW" shall not include [**********].

1.24 "LIVE CLAIM" shall mean a claim of any issued, unexpired United States or non-United States Patent which shall not have been withdrawn, canceled or disclaimed, nor held invalid or unenforceable by a court of competent jurisdiction in an unappealed or unappealable decision.

1.25 "LATIN AMERICA" shall mean those countries listed on SCHEDULE 1.25 hereto.

1.26 "MAJOR MARKET" shall mean those countries listed on SCHEDULE 1.26 hereto.

1.27 "MANUFACTURING COST" shall mean [**********]

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1.28 "NET SALES" shall mean [**********
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1.29 "NORTH AMERICA" shall mean the United States and Canada, including their respective territories and possessions.

1.30 "PATENTS" shall mean all existing patents and patent applications and all patent applications hereafter filed, including any continuations, continuations-in-part, divisions, provisionals or any substitute applications, any patent issued with respect to any such patent applications, any reissue, reexamination, renewal or extension (including any supplemental patent certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all foreign counterparts of any of the foregoing.

1.31 "PERSON" shall mean any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization or government or political subdivision thereof.

1.32 "PHASE II CLINICAL TRIALS" shall mean human clinical trials conducted for inclusion in (i) that portion of the FDA submission and approval process which provides for trials of a Drug Product on a limited number of patients for the purposes of collecting data on dosage, evaluating safety and collecting preliminary information regarding efficacy in the proposed therapeutic indication, as more fully defined in 21 C.F.R. Section 312.21(b), and (ii) equivalent submissions with similar requirements in other countries in the Territory.

1.33 "PHASE III CLINICAL TRIALS" shall mean human clinical trials conducted for inclusion in (i) that portion of the FDA submission and approval process which

provides for the continued trials of a Drug Product on sufficient numbers of patients to generate safety and efficacy data to support Regulatory Approval in the proposed therapeutic indication, as more fully defined in 21 C.F.R.Section 312.21(c), and (ii) equivalent submissions with similar requirements in other countries in the Territory.

1.34 "PHASE IV CLINICAL TRIALS" shall mean human clinical trials conducted for inclusion in (i) that portion of the FDA submission and approval process which provides for continued trials of a Drug Product after Regulatory Approval has been achieved (such trials may be designed to provide information that will optimize or expand use of the Drug Product, provide information from additional drug interaction, dose-response and safety studies, or provide pharmacoeconomic, epidemiological, comparative efficacy or other data from studies in a therapeutic use environment) and (ii) equivalent submissions with similar requirements in other countries in the Territory.

1.35 "REGULATORY APPROVAL" shall mean, with respect to a country in the Territory, all authorizations by the appropriate governmental entity or entities necessary for commercial sale of a Drug Product in that country including, without limitation and where applicable, approval of labeling, price, reimbursement and manufacturing. "Regulatory Approval" in the United States shall mean final approval of a new drug application pursuant to 21 C.F.R. Section 314, permitting marketing of the applicable Drug Product in interstate commerce in the United States.

1.36 "REST OF WORLD" or "ROW" shall mean all other countries in the Territory outside North America and Latin America.

1.37 "SECOND GENERATION COMPOUND" shall mean compounds synthesized [* ********** **********]

1.38 "TECHNOLOGY" shall mean HMR Technology and VERTEX Technology.

1.39 "TERRITORY" shall mean all the countries in the world.

1.40 "THIRD PARTY" shall mean any unincorporated body, person, corporation or other entity other than HMR, VERTEX or their respective Affiliates or sublicensees of

rights conveyed under this Agreement.

1.41 "VERTEX KNOW-HOW" shall mean all Know-How of VERTEX.

1.42 "VERTEX PATENTS" shall mean any Patents Controlled by VERTEX (or any of its Affiliates) claiming (i) a Compound or a method of using a Compound or (ii) a method of manufacturing, process development or packaging related to a Compound or (iii) an improvement to the subject matter of a Patent covering a Compound or a method of using a Compound or a method of manufacturing, process development or packaging related to a Compound. A list of VERTEX Patents is appended hereto as SCHEDULE 1.42 and will be updated periodically to reflect additions thereto during the course of this Agreement.

1.43 "VERTEX TECHNOLOGY" shall mean all VERTEX Patents and all VERTEX Know-How.

ARTICLE II
LICENSE

2.1 GRANT TO HMR.

(a) Subject to the other provisions of this Agreement, VERTEX hereby grants to HMR an exclusive license or (as appropriate) sublicense under VERTEX Technology to the extent necessary to permit HMR to carry out its rights and obligations set forth in this Agreement and to develop, manufacture, have manufactured, market, use, sell and import for sale Compound, Bulk Drug Substance, Drug Product Candidates, and Drug Product in the Territory, with the right to sublicense only as set forth in (b) below. Notwithstanding the foregoing grant, VERTEX reserves the right to use all VERTEX Technology necessary to discharge its obligations and exercise its rights under this Agreement, including but not limited to its "Step-In" rights under Section 3.6 hereof and its Co-Promotion rights under Article V hereof. VERTEX retains all rights to VERTEX Technology except to the extent explicitly granted to HMR hereunder. The foregoing license shall not extend to the sale of Compound, Bulk Drug Substance or Drug Product Candidates separate from Drug Product except as incorporated in a Drug Product.

(b) HMR may sublicense its rights under the foregoing license to any of its Affiliates, may sublicense or subcontract its rights to manufacture Bulk Drug Substance and Drug Product to any Affiliates or Third Parties and may contract with reputable research organizations to conduct or assist in the conduct of human clinical trials and the evaluation of trials data, after prior notice to, but without the consent of, VERTEX. HMR shall be responsible to VERTEX for the performance by the sublicensee or subcontractor under any such sublicense or other agreement and under any provisions of this Agreement for which the sublicensee or subcontractor is responsible pursuant to the terms of the sublicense or subcontract. HMR shall not permit any sublicensees or subcontractor to use VERTEX Technology without provisions safeguarding confidentiality at least equivalent to those provided in this Agreement. Any such provisions will allow VERTEX the right to directly enforce the obligations of confidentiality with respect to VERTEX Know-How and other confidential information in the possession of the Third Party. HMR may sublicense its rights, in whole or in part and from time to time, under this Agreement to any Third Party with the written consent of VERTEX, such consent not to be unreasonably withheld.

2.2 GRANT TO VERTEX. Subject to the other provisions of this Agreement, HMR hereby grants to VERTEX a nonexclusive, royalty-free license or (as appropriate) sublicense under HMR Technology to the extent necessary to allow VERTEX to carry out its rights and obligations set forth in this Agreement. HMR retains all rights to HMR Technology except to the extent explicitly granted to VERTEX hereunder. VERTEX shall not permit any subcontractors or sublicensees to use HMR Technology without provisions safeguarding confidentiality equivalent to those provided in this Agreement. Any such provisions will allow HMR the right to directly enforce the obligations of confidentiality with respect to HMR Know-How and other confidential information in the possession of the Third Party.

2.3 SECOND GENERATION COMPOUNDS. VERTEX may, at its sole discretion, continue to develop and commercialize Second Generation Compounds.

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2.4 NONCOMPETE. Neither party shall develop, license, market or sell any pharmaceutical product that includes a Compound as an active ingredient, other than a Drug Product under this Agreement, except insofar as such product or Compound is obtained in connection with a merger, acquisition or similar transaction not consummated primarily for the purpose of obtaining such product or Compound and is either (a) not claimed under an HMR Patent, a Vertex Patent, a Prior Joint Invention, a Prior Patent or a Joint Invention (as such terms are defined in Section 7.2(a)) covering the Compound itself or a use thereof, or (b) if claimed under an HMR Patent, a Vertex Patent, a Prior Joint Invention a Prior Patent or a Joint Invention covering the Compound itself or a use thereof, is

the subject of an existing Third Party license from VERTEX, in the case of a merger, acquisition or similar transaction by HMR, or from HMR, in the case of a merger, acquisition or similar transaction by VERTEX, but in either case only to the extent permitted to the licensee under the terms of the Third Party license.

ARTICLE III
DEVELOPMENT

3.1 DEVELOPMENT OPTION. HMR shall have the option (the "Development Option") to develop and commercialize any Compound in accordance with the provisions of this Agreement.

(a) WRITTEN NOTICE. The Development Option may be exercised by HMR with respect to any one or more of the Compounds by delivering written notice of exercise (an "Exercise Notice") to VERTEX prior to expiration of the Development Option, specifying the Compound as to which the Development Option is being exercised.

(b) DRUG PRODUCT CANDIDATE. Any Compound as to which the Development Option is exercised shall become a Drug Product Candidate under this Agreement, and development of that Compound shall proceed in accordance with the terms of this Agreement, including the provisions of Section 3.7 and Section 5.8 hereof relating to development and marketing of Drug Product Candidates and Drug Product.

(c) OPTION EXERCISED. The parties acknowledge that HMR has exercised its Development Option with regard to HMR3480/VX-740.

(d) SECOND GENERATION COMPOUNDS. In the event
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**********then HMR shall have an Option (the "Second Generation Option") exercisable as set forth below, to develop and commercialize a Second Generation Compound.

(i) FIRST NOTICE PERIOD HMR shall give VERTEX written notice

(the "First Notice") in the event that HMR wishes to consider exercise of the Second Generation Option, specifying that the foregoing conditions have been met and briefly describing the basis for that judgment. VERTEX and HMR shall meet (the "Diligence Meeting") within thirty (30) days after VERTEX's receipt of the First Notice to discuss available Second Generation Compounds and the potential exercise of HMR's Second Generation Option.

(ii) DUE DILIGENCE PERIOD.

(A) VERTEX will provide HMR, for evaluation, with such proprietary information about those Second Generation Compounds which are subject to the Second Generation Option, and any samples of those Second Generation Compounds, as shall be in VERTEX's control and which are reasonably requested in writing by HMR within fifteen (15) days after the Diligence Meeting. The requested information and samples will be provided by VERTEX to HMR as soon as reasonably practicable after receipt by VERTEX of the foregoing request. Any Compound samples provided to HMR by VERTEX shall be supplied under a mutually agreeable materials transfer agreement, with customary terms and provisions. If any of the Second Generation Compounds with respect to which information and/or samples are requested have been, at the time of the request, designated by VERTEX as development candidates ("Second Generation Development Candidates") VERTEX will so inform HMR.

(B) HMR shall have a period of one hundred twenty (120) days to review the information provided by VERTEX, to generally conduct due diligence, and, if HMR so chooses, to test any Second Generation Compounds received from VERTEX under (A) above, and to

synthesize and test any Second Generation Compounds not supplied by VERTEX. All Second Generation Development Candidates shall be tested by HMR only pursuant to testing protocols agreed in advance by the parties; provided that VERTEX's consent to a protocol proposed by HMR may not be unreasonably withheld. If the foregoing 120-day period is not sufficient to enable HMR to conduct at least sixty (60) days of IN VIVO or IN VITRO tests as it deems appropriate with respect to a Second Generation Compound, HMR will so notify VERTEX within sixty (60) days after commencement of the 120-day period, and additional time will be provided as may be reasonably agreed by the parties to facilitate the testing. All of the data generated by any such IN VITRO or IN VIVO tests will be provided to VERTEX and may be used by VERTEX without restriction, if HMR does not exercise its Development Option with respect to any Second Generation Compound or as otherwise would be required by the U.S. FDA, or an equivalent regulatory authority, if VERTEX had conducted the same test under the same protocol.

(iii) OPTION EXERCISE. HMR may exercise the Second Generation Option with respect to a Second Generation Compound by written notice provided to VERTEX not later than one hundred twenty (120) days after receipt of the information provided to it by VERTEX under clause (ii)(A) above, and the Second Generation Option provided in this subsection (d) shall expire if not exercised prior to that time. VERTEX will provide HMR with a list of all development costs incurred by VERTEX from January 1, 1998 through the date upon which the Second Generation Option is exercised, with respect to the Second Generation Compound which is the subject of the option exercise. For purposes of the foregoing, "development costs" shall mean

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Upon the written request of HMR, at HMR's expense and not more than once in respect of the exercise of any one particular Second Generation Option, VERTEX shall permit an independent public accountant of national prominence selected by HMR to have access during normal business hours to those records of VERTEX as may be reasonably necessary to verify the accuracy of VERTEX's list of such development costs and their applicability to the Second Generation Compound which is the subject of the option exercise. Subject to such audit rights, HMR will promptly reimburse VERTEX for those development costs incurred by VERTEX in the course of generating data or information which HMR intends to include in any filings with a Regulatory Authority. HMR may not use any data or information generated by or at the direction of VERTEX with respect to a Second Generation Compound unless it has reimbursed VERTEX for such associated development costs.

(iv) EFFECT OF OPTION EXERCISE. A Second Generation Compound as to which the Second Generation Option has been validly exercised shall be considered a Compound hereunder and no longer subject to the provisions of Section 2.3 hereof. The Development Option provided to HMR under Section 3.1 shall be deemed to have been exercised with respect to that Second Generation Compound.

(v) EXCLUSIONS FROM SECOND GENERATION OPTION; NO FIRST REFUSAL. HMR shall have no right to exercise the Second Generation Option (and the provisions of Section (d)(ii) above relating to the supply of information and samples by VERTEX to HMR shall be inapplicable to) any Second Generation Compound which, at the time VERTEX receives the First Notice under Section(d)(i)

above,[**********
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**********.] The Second Generation Option shall not be construed to create a right of first refusal or any analogous right for HMR with respect to any Second Generation Compound.

(e) DEVELOPMENT OPTION EXPIRATION. The Development Option will expire with respect to any Compound as to which the Development Option has not then been exercised at 5:00 P.M. Eastern Standard Time on the expiration date of the last Patent containing a Live Claim covering such Compound.

3.2 JOINT DEVELOPMENT COMMITTEE.

(a) FORMATION AND RESPONSIBILITIES. As soon as practicable after the execution of this Agreement, HMR and VERTEX will establish a Joint Development Committee (the "JDC") comprised of eight (8) representatives, four of whom shall be designated by each party. Additional JDCs may be established from time to time as the parties deem necessary to handle development of additional Indications as defined in Section 6.2(e). Unless otherwise indicated by the context in which it is used, the term "JDC" as referenced herein shall also include the members of the JDC and any subcommittees which may be established from time to time by the JDC.

(i) DEVELOPMENT PLAN. The JDC will determine the goals and strategy for, and will develop a detailed Development Plan as set forth in Section 3.3 below for implementation of the Development Program for each Drug Product Candidate.

(ii) SUBCOMMITTEES. The JDC may act directly or through such working groups or sub-committees as it may deem appropriate to establish. VERTEX and HMR will each be entitled to designate a reasonable number of representatives on each working group or sub-committee which may be established by the JDC. Each of

HMR and VERTEX shall have one vote on any such working group or subcommittee, and Subsection 3.2(a) (iii) below will apply to any decisions delegated by the JDC to any working group or subcommittee.

(iii) DECISION-MAKING.

(A) COMMITTEE STRUCTURE. The JDC Committee Chair (the "JDC Chair") will be appointed by HMR from among the members of the Committee designated by HMR. Each of HMR and VERTEX shall have one vote on the JDC. The objective of the JDC shall be to reach agreement by consensus on all matters falling within its authority hereunder. In the event of a deadlock with respect to any action (which shall be deemed to have occurred if either party shall request a vote of the JDC on a matter and that vote shall either not be taken within thirty (30) days of the request, or if taken shall result in a tie vote), and subject to the procedure set forth in the balance of this subsection (iii) as to certain matters, [**********
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(B) DISPUTE REGARDING A MATTER OF MAJOR STRATEGIC IMPORTANCE. If VERTEX and HMR deadlock on any matter of major strategic importance (as hereinafter defined) to the Development Program with respect to a Drug Product Candidate or Drug Product (a "Disputed Matter"), then VERTEX may provide written notification of its disagreement to the JDC Chair within seven (7) Business Days after the meeting of the JDC at which the Disputed Matter was considered and a vote formally taken on the Matter. In its notification

VERTEX will set forth the basis for its disagreement in reasonable detail.

(C) SUBMISSION TO REVIEW EXECUTIVES FOR RESOLUTION. If the Disputed Matter is not resolved within seven (7) Business Days after delivery of VERTEX's notification to the JDC Chair, then copies of the notification shall be distributed by the JDC Chair as soon as practicable to [**********]

(D) [**********]

(E) DEFINITION OF "MATTER OF MAJOR STRATEGIC IMPORTANCE". For purposes of the foregoing, a "matter of major strategic importance" shall mean:
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(iv) AMENDMENTS TO DEVELOPMENT PLAN. The JDC will actively participate in amending and revising the Development Plan with respect to a Drug Product Candidate as may be necessary or desirable from time to time. The JDC shall not have the power to amend or modify this Agreement, which may only be amended or modified as provided in Sections 15.2 and 15.15 hereof.

(b) QUARTERLY MEETINGS. While a Drug Product Candidate is under development, the JDC shall meet formally at least quarterly, or with such other frequency, and at such time and location, as may be established by the Committee, for the following purposes, among others:

(i) REVIEW OF DEVELOPMENT PLAN. To prepare, review and, if necessary, revise the Development Plan for a particular Drug Product Candidate, to oversee and coordinate development activities and to review the conduct of development of Drug Product Candidates and Drug Product;

(ii) REPORTS. To receive and review reports by HMR and (to the extent there is information to report) VERTEX, which shall be prepared by each party and submitted to the other party and to the JDC on a quarterly basis within fifteen (15) days after the end of each calendar quarter, setting forth in reasonable detail, with supporting data, the results of work performed during the preceding calendar quarter under the Development Program by the party submitting the report, including any planned or filed patent applications covering Bulk Drug Substance, Drug Product Candidates, and Drug Product and the uses thereof;

(iii) INTERNAL COORDINATION. To assist in coordinating scientific interactions and resolving disagreements between HMR and VERTEX during the course of the Development Program; and

(iv) PATENT POSITION. To discuss matters relating to Patents, including but not limited to issues of inventorship and decisions relating to the filing, prosecution and maintenance of Patents. If not otherwise scheduled for discussion, Patent matters relating to this Agreement shall be reviewed at any JDC meeting if requested by either party on reasonable prior notice.

HMR and VERTEX shall each bear the costs and expenses of attendance at JDC meetings by their respective representatives.

(c) DEVELOPMENT INFORMATION. HMR will promptly notify the JDC as soon as material information and data generated in the course of the Development Program become available to HMR. HMR will promptly provide the JDC with all such material information and data that is reasonably necessary to enable the JDC to fully participate in the Development Program as provided in this Agreement. HMR will make development plans, clinical protocols, investigator brochures and regulatory submissions available to the JDC for discussion in the early concept stage and thereafter as those documents are proposed for modification from time to time. [**********
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**********] In the event VERTEX obtains any such information that is Confidential Information hereunder, it shall treat such information as proprietary and confidential and it shall not use such information for any purpose except as specifically provided in this Agreement.

(d) HMR DISCRETION. Nothing in the foregoing shall alter the fact that HMR shall have sole discretion and responsibility for the development and manufacture of Bulk Drug Substance, Drug Product Candidates and Drug Product.

3.3 DEVELOPMENT PLAN. The JDC shall prepare and oversee the implementation of the overall Development Plan for each Drug Product Candidate and each Indication.

(a) CONTENT. Such Plan shall, among other things, detail and schedule the proposed preclinical studies, toxicology, clinical trials, regulatory plans, clinical trial and commercial material requirements, process development and manufacturing plans, and key elements of obtaining Regulatory Approval in each country where the Drug Product is to be marketed.

(b) DEVELOPMENT TASKS. [**********
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(c) ADDITIONAL STUDIES. [**********
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3.4 DEVELOPMENT RESPONSIBILITY AND COSTS. Except as provided herein and in Section 3.6 below, HMR will have sole responsibility for, and bear the cost of conducting, the Development Program in the Territory with respect to each Drug Product Candidate.

(a) [**********
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(b) [**********
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(c) [**********
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(d) [**********
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3.5 REGULATORY APPROVALS. HMR shall use commercially reasonable efforts to submit registration dossiers to relevant health authorities with respect to all necessary Regulatory Approvals in the Territory.

(a) HMR OWNERSHIP. Except as provided in Section 3.6 hereof, HMR shall have the sole right to obtain Regulatory Approvals, which shall be held by and in the name of HMR, and HMR shall own all submissions in connection therewith, provided that VERTEX shall have a right of reference to all or any part of the submissions if the "Step-In Rights" become effective under Section 3.6 hereof.

(b) PRINCIPAL INTERFACE. All formulary or marketing approvals shall also be obtained by and in the name of HMR, and HMR will be the principal interface with and will otherwise handle all interactions with regulatory agencies concerning any Drug Product including, to the extent legally possible, being the sole contact with such agencies, subject to the rights of VERTEX under this Section 3.5.

(c) REGULATORY MEETINGS. To the extent not prohibited by law or regulation, VERTEX shall have the right to have one representative participate in all material meetings between representatives of HMR and any of the FDA, the EMEA and Koseisho (MHW Japan).

(i) HMR will provide VERTEX, at least five (5) Business Days before any such meeting, with copies of all documents, correspondence and other materials in its possession which are relevant to the matters to be addressed at any such meeting.

(ii) HMR will also provide VERTEX with prompt access to all exchanges of material correspondence with the FDA, the EMEA and Koseisho.

(iii) Notwithstanding the foregoing,

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3.6 STEP-IN RIGHTS. If HMR is not using commercially reasonable efforts to conduct development activities on the critical path provided for in the then current Development Plan ("Development Work") and, as a result, such Development Work is not completed substantially in accordance with the timetable set forth in the applicable Development Plan, then VERTEX may, after [**********] prior written notice to HMR, undertake that particular Development Work at its own expense, unless by the end of that [**********] HMR has begun to carry out that Development Work in a commercially reasonable manner and has so notified VERTEX.

(a) Notwithstanding the foregoing, if the Development Work is terminated or delayed (i) as a result of Force Majeure, or (ii) as a result of [**********
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**********], then VERTEX may not in that instance exercise its Step-In rights.

(b) If VERTEX exercises its Step-In rights:

(i) REGULATORY ACTIONS. HMR will continue to make any necessary and appropriate regulatory filings with respect to the Development Work and will, if required for VERTEX to exercise its Step-In rights effectively, transfer to VERTEX at VERTEX's expense any INDs (or equivalents thereof) relevant to such Development Work.

(ii) MANUFACTURE OF CLINICAL SUPPLY OF DRUG PRODUCT CANDIDATE. HMR will supply VERTEX [**********]with the necessary clinical supply of Drug Product Candidate required to

perform such Development Work in accordance with HMR's then current scale of manufacturing at HMR's Manufacturing Cost and upon such other reasonable and customary terms as to shipment, delivery and similar matters as may be agreed.

(iii) MILESTONES. If HMR resumes the Development Program of a Drug Product Candidate, it will reimburse VERTEX for the actual direct cost of the Development Work of good quality, if such work conforms with the requirements of the relevant Development Plan. Such payment will be made upon completion of the Development Work and attainment of the next occurring milestone under Article VI hereof relating to the Drug Product Candidate which was the subject of the Development Work. HMR will pay VERTEX interest on the reimbursable costs incurred by VERTEX in the conduct of the Development Work, and on any milestones under Section 6.2 earned but not paid by HMR, [**********
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(iv) NOTICE. HMR shall provide written notice to VERTEX within [**********] of the commencement of the Development Work to be performed by VERTEX under this Section, that it intends to resume the Development Work for the Drug Product Candidate, and shall resume the Development Work within [**********] of delivery of such notice.

3.7 REASONABLE EFFORTS IN DEVELOPMENT. HMR will use diligent, commercially reasonable efforts consistent with those used by HMR for its own compounds of similar commercial potential to develop the Compounds into Drug Product.

(a) COMMERCIAL VIABILITY. In the event that HMR exercises its Development Option with respect to a particular Compound which thereby becomes a Drug Product Candidate, HMR shall use diligent,

commercially reasonable efforts consistent with those used by HMR for its own compounds of similar commercial potential to develop Drug Product with respect to that Drug Product Candidate, so long as in HMR's good faith opinion, development of that Drug Product Candidate is technically feasible and commercially justifiable.

(b) NOTIFICATION. HMR will promptly notify VERTEX in writing if it should determine that development of any Drug Product Candidate is not technically feasible or commercially justifiable, specifying in reasonable detail the reasons for that determination.

ARTICLE IV
MANUFACTURE AND SUPPLY

4.1 MANUFACTURE OF BULK DRUG SUBSTANCE AND DRUG PRODUCT. HMR will be responsible for manufacturing and supply of all Bulk Drug Substance, Drug Product Candidate, and Drug Product as necessary for the conduct of preclinical and clinical trials and for all commercial purposes in the Territory. All material will be manufactured in accordance with GMP and will be provided to VERTEX, as required for VERTEX to exercise its rights and perform its obligations under this Agreement, at the price (if any) and upon such terms as may be specified herein, or if not specified, as may be reasonably agreed in writing between the parties hereto.

ARTICLE V
COMMERCIALIZATION

5.1 MARKETING AND PROMOTION. HMR shall have exclusive rights to market, sell and distribute all Drug Product in the Territory, subject to the co-promotion and other rights of VERTEX set forth in this Article V, and subject to its obligation to proceed as specified in Section 5.8. HMR will book all sales of Drug Product and will report those sales to VERTEX as specified in Section 6.6.

5.2 JOINT MARKETING COMMITTEE. Not later than the commencement of Phase III Clinical Trials for any Drug Product Candidate, HMR and VERTEX will form a Joint Marketing Committee ("JMC") comprised of six representatives, three of whom will be designated by each party. Unless otherwise indicated by the

context in which it is used, the term "JMC" as referenced herein shall also include any working group or subcommittee which may be established from time to time by the JMC.

(a) GLOBAL STRATEGY. The JMC will establish the overall strategy and oversee the global marketing of all Drug Product. The JMC will have the opportunity to review all market research plans and research results, clinical development results and similar items, as well as HMR's proposed marketing and sales budget for each Drug Product for the purpose of advising and assisting in communicating a unified global marketing strategy.

(b) SUBCOMMITTEES. The JMC may act directly or through such working groups or sub-committees as it may deem appropriate to establish. In particular, matters before the JMC that relate to North American and European marketing and sale will be delegated to subcommittees (the "JMC-NA" and the "JMC-EU," respectively), each of which shall be responsible for oversight of its particular territory and for coordinating with the JMC. The JMC subcommittees will be structured and operated in the same manner as outlined in Section 5.2 for the JMC; provided that, although VERTEX and HMR will each be entitled to designate a reasonable number of representatives on any working group or subcommittee which may be established by the JMC, each party shall have one vote on any such working group or subcommittee

(c) DECISION-MAKING.

(i) COMMITTEE STRUCTURE. HMR shall designate a Committee Chair, from among its member designates (the "JMC Chair"). HMR and VERTEX shall each have one vote on the JMC. The objective of the JMC shall be to reach agreement by consensus on all matters falling within its authority hereunder.

(ii) DEADLOCK. In the event of a deadlock with respect to any action, and subject to the procedure set forth in the balance of this subsection (c) as to certain matters, [********** ********** ********** ********** **********]

(iii) DISPUTES REGARDING MATTER OF MAJOR STRATEGIC IMPORTANCE. If VERTEX and HMR shall disagree on any matter of major strategic importance (as hereinafter defined) with respect to the Marketing Plan for a Drug Product (a "Disputed Matter"), then VERTEX may provide written notification of its disagreement to the JMC Chair within seven (7) business days after the meeting of the JMC at which the Disputed Matter was considered and a vote formally taken on the Matter. In its notification VERTEX will set forth the basis for its disagreement in reasonable detail.

(iv) SUBMISSION TO REVIEW EXECUTIVES. If the Disputed Matter is not resolved within seven (7) business days after delivery of VERTEX's notification to the JMC Chair, then copies of the notification shall be distributed by the JMC Chair as soon as practicable to [**********
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(v) [**********
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(vi) DEFINITION OF MATTER OF MAJOR STRATEGIC IMPORTANCE. For purposes of the foregoing, a "matter of major strategic importance" shall mean: [**********
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(d) HMR DISCRETION. Nothing in the foregoing shall alter the fact that HMR

shall have sole discretion as to the marketing strategy and decision-making for any Drug Product.

5.3 MARKETING PLANS. HMR will be solely responsible, in accordance with its customary practices and procedures, for the preparation and execution of a detailed marketing plan (a "Marketing Plan") for the launch of each Drug Product.

(a) PREPARATION OF PLAN. HMR will use its diligent, commercially reasonable efforts consistent with its customary practices and procedures to substantially complete (subject to normal revision in the ordinary course) the Marketing Plan for each Drug Product not later than [******] prior to the projected date of First Commercial Sale of the Drug Product.

(b) PLAN REVIEW. HMR (and VERTEX if it intends to co-promote in North America or Europe, as the case may be, and has participated in launch planning or market research with respect to the Drug Product in such region) will submit to the JMC for its review and comment on a timely basis a draft Marketing Plan, budgets, market research results and other customary planning and marketing aids with respect to launch of the Drug Product (collectively, "Marketing Materials"). The Marketing Materials and any material amendments thereto will be submitted to the JMC in sufficient time prior to launch of a Drug Product to provide the JMC with a reasonable opportunity to influence the form and substance of the Marketing Plan.

(c) JMC PARTICIPATION. The JMC will have the opportunity to provide input in the Plan, as it may be amended and updated from time to time, with respect to the global strategy pertaining to the following matters, among others:

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(iv) [**********
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(d) MARKETING PLAN UPDATES; MARKETING DATA. HMR, in consultation with the JMC, will update its Marketing Plans in accordance with HMR's customary practices (which currently involve annual plan updates) to reflect materially changed circumstances as they occur. The JMC will meet periodically to review marketing matters, and HMR and VERTEX will share with the JMC on a regular basis and to the extent reasonably available, all materials and information (such as, to the extent available to HMR or VERTEX as the case may be, market research and data, including market growth and trend data; research reports; sales research data and forecasts; sales force deployment data; public relations plans; and information concerning competition and competitors) generated by or at the direction of HMR or VERTEX or their respective Affiliates and sublicensees which are relevant to the marketing of Drug Product.

5.4 CO-PROMOTION IN NORTH AMERICA VERTEX may elect to Co-Promote a Drug

Product in North America under the terms of a mutually agreeable nonexclusive co-promotion plan (the "Co-Promotion Plan").

(a) CO-PROMOTION OPTION. HMR will inform VERTEX of the projected date of First Commercial Sale, in writing, as early as possible but in any event not less than [**********] prior to the projected date of First Commercial Sale. VERTEX shall inform HMR of its desire to make an election by providing written notice delivered to HMR not less than [**********] prior to the projected First Commercial Sale of a Drug Product in North America. The parties will then negotiate the Co-Promotion Plan within [******** *****] following the date of delivery of such notice of election by VERTEX.

(b) PROVISIONS OF A CO-PROMOTION PLAN. Among other things, the Co-Promotion Plan will include terms and conditions substantially similar to the following:

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(ii) [**********
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(iv) [**********
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5.5 EUROPEAN CO-PROMOTION RIGHTS. Except where prohibited by law, VERTEX

may elect to have VERTEX's European sales representatives Co-promote a Drug Product in the European Union under the terms of a mutually agreeable co-promotion plan substantially similar to that provided under Section 5.4 for North America and approved by the JMC-EU. Notwithstanding the foregoing:

(a) NOTICE. HMR will inform VERTEX of the projected date of First Commercial Sale in the European Union, in writing, as early as possible but in any event not less than [**********] prior to the projected date of First Commercial Sale. VERTEX shall inform HMR of its desire to make such election by providing written notice delivered to HMR not less than [**********] prior to the projected First Commercial Sale of that Drug Product in the European Union. In that notice, VERTEX shall indicate how it would propose to distribute its sales representatives among the countries of the European Union, with the understanding that [**********]

(b) CO-PROMOTION PLAN. The parties will then negotiate a co-promotion plan within [**********] following the date of delivery of such notice.

(c) REIMBURSEMENT FOR COSTS. HMR will reimburse VERTEX for the activities of [**********]

(d) PROMOTIONAL MATERIALS. The provisions of Subsection 5.4(b)(v) concerning the preparation and use of promotional materials in North America will apply, MUTATIS MUTANDIS, to the preparation and use of promotional material in the European Union and to the activities of the JMC-EU in connection therewith.

5.6 TERMINATION OF CO-PROMOTION OBLIGATION. Upon not less than [**********] prior written notice to HMR, VERTEX may terminate its right and obligation to Co-promote a particular Drug Product in North America or in the European Union, provided that the effective date of termination shall be

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**********] HMR shall not be responsible for reimbursement of any of VERTEX's costs under Section 5.4(b)(iii) or Section 5.5(c), as may be applicable, incurred after the effective date of termination of its co-promotion rights and obligations or, with respect to termination of its North American Co-Promotion Rights, the increased royalty specified in Section 5.4(b)(ii) hereof with respect to sales of Drug Product made after the effective date of termination of its rights and obligations under Section 5.4.

5.7 CO-LABELING. In any country in which VERTEX has the right to co-promote Drug Product under this Agreement and Japan, to the extent not prohibited by law or regulation and subject to approval by the FDA or its equivalent, Drug Product (including labels, packaging and inserts) and all promotional materials for the same will bear both HMR's and VERTEX's company names and logos with equal prominence (including equal sized type face), or if equal prominence is prohibited by law, with such prominence as may otherwise be permitted by law. In countries (other than Japan) in which VERTEX is not co-promoting Drug Product under this Agreement, to the extent not prohibited by law or regulation and subject to approval by the FDA or its equivalent, Drug Product (including labels, packaging and inserts) and all promotional materials for the same, will include VERTEX's company name (in the English alphabet) and logo with the designation: "under license from."

(a) REVIEW OF REGULATORY FILINGS. HMR will permit VERTEX to review all material regulatory filings which relate to product labeling, and all proposed labels, packaging, package inserts, and promotional materials required under the Agreement to bear VERTEX's name, prior to the filing of any such materials with any regulatory authority.

(b) REGULATORY COMMUNICATIONS.

(i) HMR will permit VERTEX to participate with HMR in material communications with regulatory officials which concern the matters referenced in this Section 5.7.

(ii) HMR will immediately inform VERTEX of any material regulatory communications received by HMR which might operate to restrict VERTEX's rights under this Section, and will cooperate with any reasonable request of VERTEX aimed at facilitating approval by a regulatory authority for co-labeling consistent with this provision.

5.8 MARKETING EFFORTS. HMR (and VERTEX to the extent it is co-promoting under the terms of this Agreement) shall use diligent, commercially reasonable efforts consistent with those customarily used by HMR for its own compounds of similar commercial potential to effect introduction of Drug Product into the countries in the Major Markets as soon as reasonably practicable.

(a) AVAILABILITY TO PUBLIC. Following the First Commercial Sale of a Drug Product and until the expiration or termination of this Agreement, HMR shall endeavor to keep Drug Product reasonably available to the public in each Major Market country.

(b) COMMERCIAL VIABILITY. HMR shall promptly notify VERTEX if it shall determine that the marketing and sale of a Drug Product in any country is not commercially reasonable.

ARTICLE VI
PAYMENTS

6.1 CLOSING PAYMENT. In recognition of VERTEX's research expenditures in the Field to date, HMR will make the following payments by wire transfer or such other payment method as may be mutually agreed by the parties hereto:

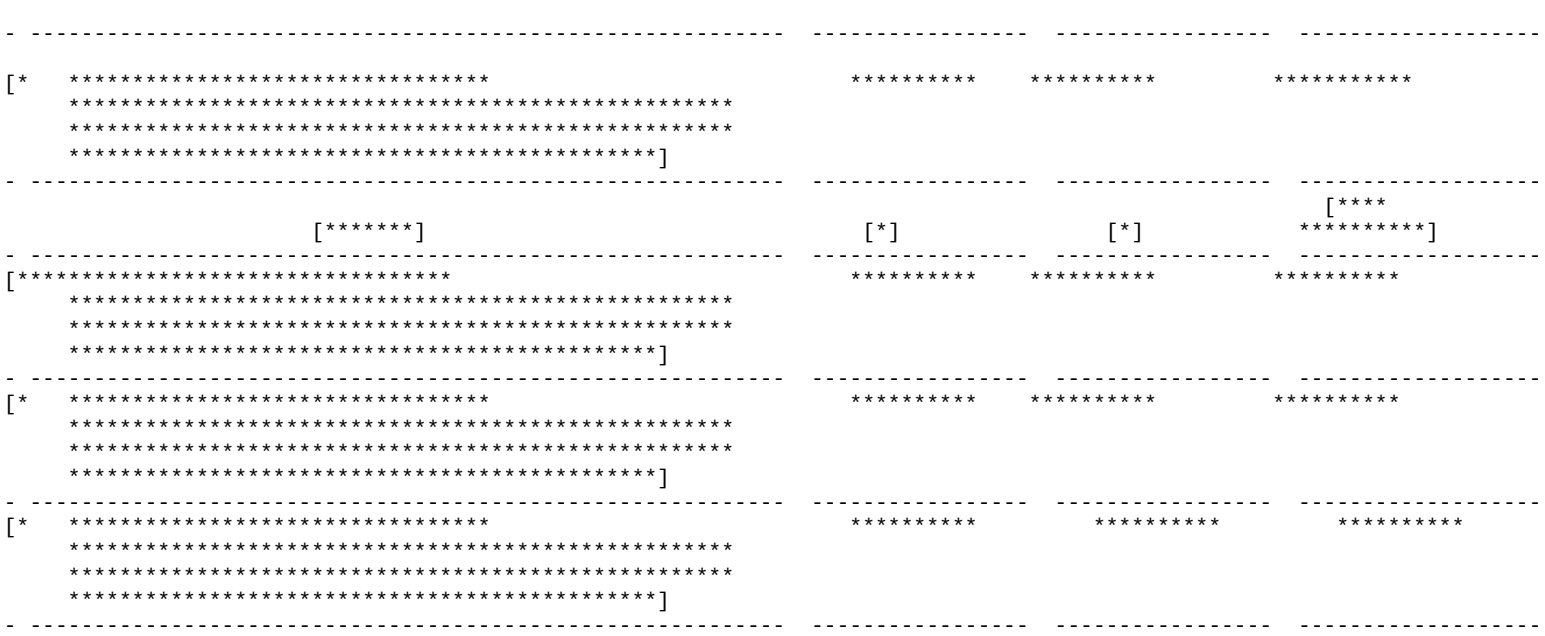
(a) on the Closing Date, HMR will pay to VERTEX the sum of $10 million (U.S.);

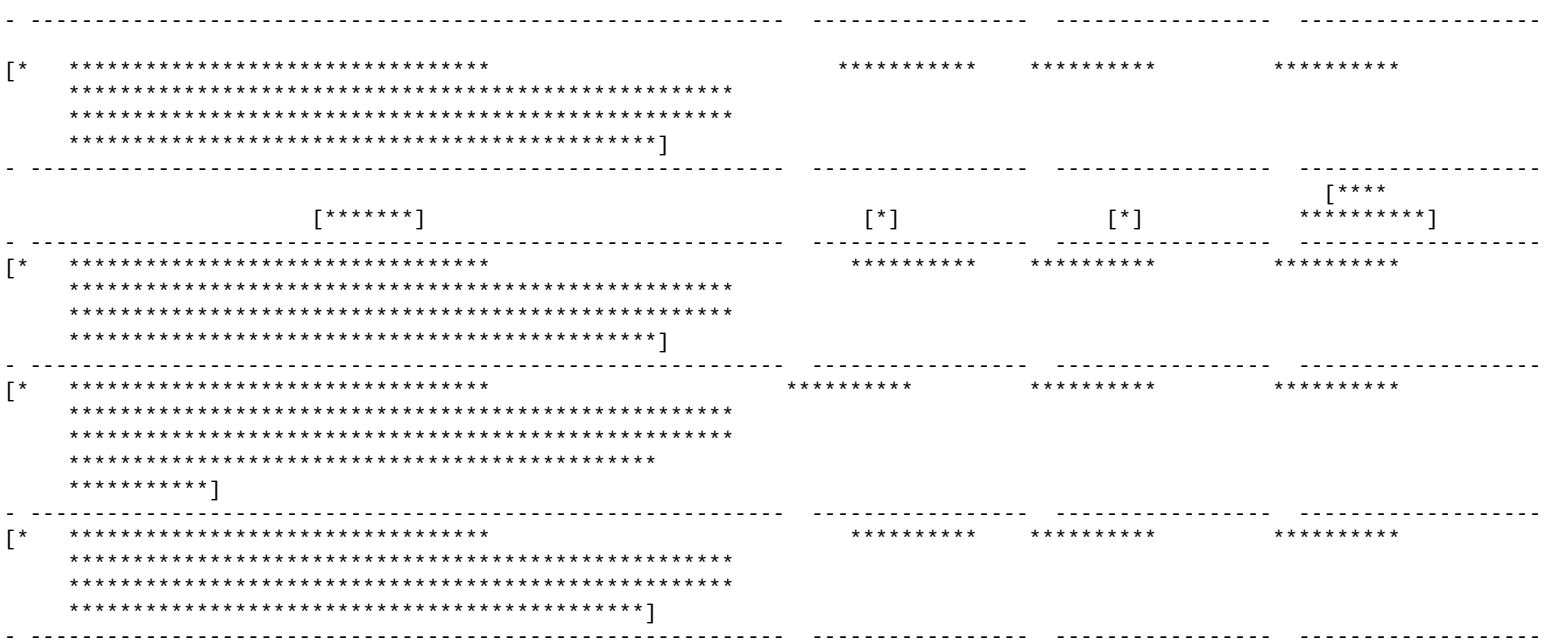
(b) within five (5) Business Days after the later of (i) the Closing Date or (ii) May 14, 2000 if this Agreement is still in effect on that date, an additional sum of $10 million (U.S.).

6.2 MILESTONE PAYMENTS BY HMR.

(a) MILESTONE PAYMENTS. HMR will make the following payments to VERTEX after the Closing Date and at such time or times as any one or more of the following milestones is achieved with respect to any Drug Product Candidate incorporating a Compound identified in SCHEDULE 1.5 and ------------ used for the treatment of: (1) adult-onset rheumatoid arthritis ("RA"); (2) osteoarthritis ("OA"); or (3) any other Indication for which a Drug Product Candidate is being developed hereunder; provided, however, there is no requirement that the first two indications pursued for development under this Agreement be RA and OA. A particular milestone shall be paid each time it is achieved for a particular Indication by a Drug Product Candidate.

	Payments in U.s. Dollars		
Milestone	RA	[**]	[***] [**********]
1. The first dosing of a particular Drug Product Candidate for treatment, in humans, of the Indications referenced in the table opposite this entry, under an agreed Phase II Clinical Trials (or foreign equivalent thereof) protocol, in any country.	$5,000,000	[**********]	[**********]
[* ********************************* ** ** ***]		**********	**********





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* Where this milestone relates to a Drug Product which has previously been approved and commercially launched for a different indication, the milestone payment for commercial launch of such Drug Product and the milestone payment for approval of such Drug Product shall both be made at the time of approval of such Drug Product.

(b) ADDITIONAL DRUG PRODUCT CANDIDATE FOR SAME INDICATION. If HMR initiates development of a Drug Product Candidate, for a particular Indication, later ceases development of that Drug Product Candidate, for that Indication, and provides written notice thereof to VERTEX, then HMR will be entitled to a credit for each particular milestone payment previously made with respect to that Drug Product Candidate for that Indication, against the same milestone payment subsequently due with respect to the next Drug Product Candidate being developed for the same Indication.

(c) ACCELERATION OF UNEARNED MILESTONES. If any milestone is achieved with respect to the development of a particular Drug Product Candidate or Drug Product for a particular Indication, any previously unearned milestone with respect to that Drug Product Candidate or Drug Product for that Indication will become immediately due and payable.

(d) ADDITIONAL INDICATIONS FOR THE SAME DRUG PRODUCT. If, on the basis (in whole or in part) of Phase IV Clinical Trials approved by the JDC, the FDA shall approve the marketing and sale of a Drug Product for a previously unapproved Indication, all milestones which would have been payable had that Drug Product been initially developed for that Indication, and which had not previously been made for that Indication, will become immediately due and payable, and any such milestones with respect to development of that Drug Product for that Indication in Japan or the European Union will become due upon marketing approval of the Drug Product for that Indication (if marketing approval has not previously been granted and the milestone paid) in the European Union or Japan.

(e) INDICATION. As used in this Section 6.2, the term "Indication" shall mean [**********
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(f) ADDITIONAL INDICATIONS. The parties shall negotiate and agree in good faith on the level of milestone payments which shall be payable with respect to Indications for each Drug Product Candidate other than RA and OA. [********** **********
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(g) ADDITIONAL MILESTONES FOR C COMPOUNDS. Notwithstanding anything to the contrary in Section 6.2(b), HMR will make the following payments to VERTEX, in addition to any amounts otherwise payable under Section 6.2(a) hereof, at such time as the following milestones are achieved: [**********
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(h) TIMING. Payment shall be made on or before the thirtieth (30th) Business Day following the occurrence of an event giving rise to a payment obligation hereunder. All payments shall be made by wire transfer in United States dollars to the credit of such bank account as may be designated by VERTEX in writing to HMR.

(i) TAX WITHHOLDING. Any income or other taxes which HMR is required by law to pay or withhold on behalf of VERTEX with respect to milestones, and any interest thereon, payable to VERTEX under this Agreement shall be deducted from the amount of such milestones and interest due and paid or withheld, as appropriate, by HMR on behalf of VERTEX. Any such tax required to be paid or withheld shall be an expense of, and borne solely by, VERTEX. HMR shall furnish VERTEX with reasonable evidence of such withholding payment, in electronic or written form, as soon as practicable after such payment is made. The parties hereto will reasonably cooperate in completing and filing documents required under the provisions of any applicable tax laws or under any other applicable law in connection with the making of any required withholding payment, or any claim to a refund of any such payment.

6.3 ROYALTIES. HMR will pay royalties to VERTEX at the following annual rate, on Net Sales of Drug Product in the Territory, subject to adjustments herein:

(a) ON NET SALES IN NORTH AMERICA FOR EACH CALENDAR YEAR:

(i) [**]of aggregate Net Sales in North America, if aggregate annual Net Sales of all Drug Product in North America for the calendar year are [**********]

(ii) [*] of aggregate Net Sales in North America, if aggregate annual Net Sales of all Drug Product in North America for the calendar year are [**********
**********]

(iii) [*] of aggregate Net Sales in North America, if aggregate annual Net Sales of all Drug Product in North America for the calendar year are [**********]; and

(iv) [*] of aggregate Net Sales in North America, if aggregate annual Net Sales of all Drug Product in North America for the calendar year are [**********]

(b) ON NET SALES IN THE ROW:

(i) [*] of aggregate Net Sales in the ROW, if aggregate annual Net Sales of all Drug Product in the ROW and Latin America for the calendar year are [**********]

(ii) [*] of aggregate Net Sales in the ROW, if aggregate annual Net Sales of all Drug Product in the ROW and Latin America for the calendar year are [**********];

(iii) [*] of aggregate Net Sales in the ROW, if aggregate annual Net Sales of all Drug Product in the ROW and Latin America for the calendar year are [**********];

(iv) [*] of aggregate Net Sales in the ROW, if aggregate annual Net Sales of all Drug Product in the ROW and Latin America for the calendar year are [**********].

(c) ON NET SALES IN LATIN AMERICA:

(i) [*] of aggregate Net Sales in Latin America; provided that

(ii) [**********].

(d) REDUCTION OR INCREASE OF ROYALTIES IN THE ROW. [*****

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(f) TAX WITHHOLDING. Any income or other taxes which HMR is required by law to pay or withhold on behalf of VERTEX with respect to royalties, and any interest thereon, payable to VERTEX under this

Agreement shall be deducted from the amount of such royalties and interest due and paid or withheld, as appropriate, by HMR on behalf of VERTEX. Any such tax required to be paid or withheld shall be an expense of, and borne solely by, VERTEX. HMR shall furnish VERTEX with reasonable evidence of such withholding payment, in electronic or written form, as soon as practicable after such payment is made. The parties hereto will reasonably cooperate in completing and filing documents required under the provisions of any applicable tax laws or under any other applicable law in connection with the making of any required withholding payment, or any claim to a refund of any such payment.

6.4 TERM FOR ROYALTY PAYMENTS. [**********
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6.6 SALES REPORTS.

(a) SUBSTANCE OF QUARTERLY REPORTS. During the term of this Agreement and after the First Commercial Sale of the first Drug Product, HMR shall furnish or cause to be furnished to VERTEX on a quarterly basis a written report or reports covering each quarter (each such quarter being sometimes referred to herein as a "reporting period") showing:

(i) the Net Sales of each Drug Product in each country in the world during the reporting period by HMR and each Affiliate,

sublicensee and marketing partner and the aggregate Net Sales for North America, Latin America and the ROW accrued for the calendar year through the closing date of the report;

(ii) the royalties, payable in United States Dollars ("Dollars"), which shall have accrued under Section 6.3 hereof in respect of such sales and the basis of calculating those royalties;

(iii) the exchange rates used in converting into Dollars, from the currencies in which sales were made, any payments due which are based on Net Sales; and

(iv) dispositions of Drug Product other than pursuant to sale for cash.

(b) TIMING. Final reports shall be due on the sixtieth (60th) day following the close of each reporting period. In addition, at least ten (10) days prior to the end of the calendar quarter, HMR shall provide VERTEX with a draft report containing forecasted sales and royalties payable to VERTEX for the quarter, based on HMR's then-current forecast for that quarter.

(c) RECORDS. HMR shall keep accurate records in sufficient detail to enable the amounts due hereunder to be determined and to be verified by VERTEX. HMR shall be responsible for all payments that are due to VERTEX but have not been paid by HMR's sublicensees or marketing partners.

(d) CURRENCY EXCHANGE. With respect to sales of Drug Product invoiced in Dollars, the Net Sales amounts and the amounts due to VERTEX hereunder shall be expressed in Dollars.

(i) With respect to sales of Drug Product invoiced in a currency other than Dollars, the Net Sales and amounts due to VERTEX hereunder shall be expressed in the domestic currency of the party making the sale, together with the Dollar equivalent of the amount payable to VERTEX, calculated [**********
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(ii) If any sublicensee or marketing partner makes any sales invoiced in a currency other than its domestic currency, the Net Sales shall be converted to its domestic currency in accordance with the sublicensee's normal accounting principles.

(iii) All payments shall be made in Dollars. If at any time legal restrictions in any country in the Territory prevent the prompt remittance of any payments with respect to Drug Product sold in that country, HMR or its sublicensees or marketing partners shall have the right and option to make such payments by depositing the amount thereof in local currency to VERTEX's account in a bank or depository in such country.

(e) CHANGE IN ROYALTY RATES. Any royalties payable for a calendar quarter during which an annual Net Sales royalty threshold has been met will be paid at the higher royalty rate, and payment will include any incremental royalty payable with respect to prior quarters to which the incremental royalty rate is applicable.

(f) ROYALTY PAYMENT DUE DATE; ACCRUAL. Royalties which have accrued during any month and are required to be shown on a final quarterly sales report provided for under this Section 6.6 shall be due and payable on the date such final quarterly sales report is due.

(g) AUDIT. Upon the written request of VERTEX, at VERTEX's expense and not more than once in or in respect of any calendar year, HMR shall permit an independent public accountant of national prominence selected by VERTEX to have access during normal business hours to those records of HMR as may be reasonably necessary to verify the accuracy of the Net Sales report and royalty calculation conducted by HMR pursuant to this Section 6.5, in respect of any calendar year ending not

more than [**********] prior to the date of such notice.

(i) HMR shall include in each sublicense or marketing agreement entered into by it pursuant to this Agreement a provision requiring the sublicensee or marketing partner to keep and maintain adequate records of sales made pursuant to such sublicense or marketing agreement and to grant access to such records by the aforementioned independent public accountant for the reasons specified in this Section 6.5.

(ii) Upon the expiration of [**********] following the end of any calendar year, the calculation of amounts payable with respect to such fiscal year shall be binding and conclusive upon VERTEX, and HMR and its sublicensees and marketing partners shall be released from any liability or accountability with respect to payments for such year.

(iii) The report prepared by such independent public accountant, a copy of which shall be sent or otherwise provided to HMR by such independent public accountant at the same time it is sent or otherwise provided to VERTEX, shall contain the conclusions of such independent public accountant regarding the audit and will specify that the amounts paid to VERTEX pursuant thereto were correct or, if incorrect, the amount of any underpayment or overpayment.

(iv) If such independent public accountant's report shows any underpayment, HMR shall remit or shall cause its sublicensees or marketing partners to remit to VERTEX within thirty (30) days after HMR's receipt of such report, (i) the amount of such underpayment and (ii) if such underpayment exceeds [**********] of the total amount owed for the calendar year then being audited, the reasonable and necessary fees and expenses of such independent public accountant performing the audit, subject to reasonable substantiation thereof.

(v) Any overpayments shall be fully creditable against amounts

payable in subsequent payment periods.

(vi) VERTEX agrees that all information subject to review under this Section 6.5 or under any sublicense or marketing agreement is confidential and that VERTEX shall retain and cause its accountant to retain all such information in confidence.

(h) INTEREST DUE. In case of any delay in payment by HMR to VERTEX not occasioned by Force Majeure, interest on the overdue payment shall accrue at [**********]. The foregoing interest shall be due from HMR without any special notice.

ARTICLE VII
INTELLECTUAL PROPERTY

7.1 INFORMATION SHARING.

(a) PRECLINICAL AND CLINICAL RESULTS. HMR will provide VERTEX, through the JDC, any and all preclinical and clinical results generated by it, or at its direction, as part of the development of Bulk Drug Substance, Drug Product Candidate and Drug Product as may be required under Section 3.2(c).

(b) IMPROVEMENTS AND INVENTIONS. Each party shall keep the other fully advised of:

(i) any improvements relating to Bulk Drug Substance, Drug Product Candidates or Drug Product, made by such party or its Affiliates or sublicensees during the term of this Agreement, or made previously under the Research Agreement; and

(ii) any other inventions, improvements, and Know-How relating to Bulk Drug Substance, Drug Product Candidates or Drug Product made jointly with the other party or its Affiliates during the term

of this Agreement or under the Research Agreement.

7.2 PATENTABLE INVENTIONS AND KNOW-HOW.

(a) OWNERSHIP. Subject to this Section 7.2, each of VERTEX and HMR shall own all Patents and Know-How with respect to any inventions made exclusively by it prior to and during the term of the Research Agreement, and from termination of the Research Program conducted thereunder through the term of this Agreement.

(i) DISCLOSURE. All information relating to VERTEX Technology and HMR Technology will be disclosed, respectively, by VERTEX to HMR or by HMR to VERTEX, (a) upon the execution of this Agreement as to any previously undisclosed matters, and (b) as to matters arising hereafter, promptly after the disclosing party recognizes the significance thereof, unless, in the case of process developments, the same shall have been developed as part of a collaboration with a Third Party, the terms of which prohibit disclosure to the other party.

(ii) JOINT INVENTIONS. Inventions made jointly by one or more employees of VERTEX and one or more employees of HMR during the term of this Agreement, as determined by United States laws of inventorship, and any Patent covering any such invention ("Joint Inventions"), shall be owned jointly by the parties.

(iii) PRIOR INVENTIONS. The parties acknowledge that HMR assigned to VERTEX its interest in certain inventions made during the term of the Research Agreement, and the patent applications covering those inventions, with respect to which one or more of its employees were named as inventors (the "Prior Joint Inventions" and the "Prior Patents"). The Prior Patents are identified in Schedule 7.2.1. [**********
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(A) JOINT OWNERSHIP. As soon as practicable after the execution of this Agreement,

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(B) R&D LICENSE. Upon execution of this Agreement, VERTEX will grant HMR a fully paid up, royalty free, worldwide, and irrevocable (regardless of termination or expiration of this Agreement) nonexclusive license under the Prior Joint Inventions and Prior Patents only for purposes of research and development.

(C) OPTION. VERTEX grants to HMR an option exercisable during the term of the foregoing licenses to enter into an exclusive licensing arrangement, on mutually agreeable terms negotiated in good faith:

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(D) DISPOSITION OF CERTAIN PENDING PATENT APPLICATIONS.
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(b) PATENT PROSECUTION.

(i) VERTEX. VERTEX shall be responsible for the preparation, filing, prosecution and maintenance of all Patents other than HMR Patents.

(ii) HMR. HMR shall be responsible for the preparation, filing, prosecution and maintenance of all Patents which are HMR Patents.

(iii) MINIMUM FILINGS. The parties hereby agree that to the extent legally possible and commercially reasonable, the responsible party shall, at a minimum, prepare file, prosecute and maintain patent coverage as described in this section in the countries listed in SCHEDULE 7.2.2.

(iv) DISCONTINUANCE. The party initially responsible for preparation, filing, prosecution and maintenance of a particular Patent (the "Initial Responsible Party") shall give at least thirty (30) days

advance notice, and in no event less than a reasonable period of time for the other party to act, to the other party of any decision (the "Discontinuance Election") to cease preparation, filing, prosecution and maintenance of that Patent in any jurisdiction (a "Discontinued Patent").

(A) In such case, the other party may elect at its sole discretion to continue preparation, filing and prosecution or maintenance of the Discontinued Patent at its sole expense.

(B) The party so continuing shall own any such Patent; and the Initial Responsible Party shall execute such documents and perform such acts as may be reasonably necessary for the other party to file or to continue prosecution or maintenance, including assigning ownership of such Patent to such electing party.

(C) Discontinuance may be elected on a country-by-country basis or for a patent application or patent series in total.

(c) COOPERATION. Each party will consult the other party with respect to its choice of patent counsel and will keep that party continuously informed of all matters relating to the preparation, filing, prosecution and maintenance of Patents covered by this Agreement.

(i) Each party shall endeavor in good faith to coordinate its efforts with those of the other party to minimize or avoid interference with the prosecution of the other party's patent applications.

(ii) To the extent practicable, each party shall provide the JDC with a copy of any patent application covering Compounds or methods of using Compounds, prior to filing the first of such applications in any jurisdiction, for review and comment by the JDC or its designees.

(iii) Each party shall provide, at the other party's reasonable request, copies of all material correspondence with the relevant patent

office.

(d) COSTS. Each party will be responsible for the costs of patent preparation, prosecution and maintenance for its patents worldwide. In cases of co-owned or joint patents, each party will bear [********
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**********]. Upon ninety (90) days' written notice to VERTEX, HMR may elect not to reimburse VERTEX for out of pocket preparation, prosecution and maintenance costs incurred by VERTEX. If HMR elects not to reimburse VERTEX, HMR will have no further rights under this Agreement with respect to any such Patent.

(e) COMPOUND-RELATED PATENT FILINGS. HMR and VERTEX will each keep the other informed of its plans and intentions regarding the filing of any patent applications covering any Compounds, and methods of making or using Compounds, within a reasonable time prior to any such filing.

7.3 INFRINGEMENT CLAIMS BY THIRD PARTIES.

(a) NOTICE. If the manufacture, use or sale of Bulk Drug Substance, Drug Product Candidate and/or a Drug Product results in a claim or a threatened claim by a Third Party against a party hereto for patent infringement or for inducing or contributing to patent infringement ("Infringement Claim"), the party first having notice of an Infringement Claim shall promptly notify the other in writing. The notice shall set forth the facts of the Infringement Claim in reasonable detail.

(b) THIRD PARTY LICENSES. In the event that practicing the VERTEX Technology or HMR Technology in connection with manufacture, use or sale of the Drug Product in a country would infringe a Third Party Patent and a license to such Third Party Patent is available, the parties agree:

(i) VERTEX will be responsible for [**********
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**********];

(ii) HMR will be responsible
[**********
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(iii)[**********
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(iv) VERTEX and/or HMR, as the case may be, will use reasonable efforts to obtain required licenses under the Third Party's Patents, with a right to sublicense to the other, under reasonable terms mutually acceptable to both parties.

(c) DISCONTINUED SALES, LICENSE OR DEFENSE OF SUIT. If the required license is unavailable or its terms are unacceptable both to VERTEX and to HMR, then HMR may elect at its sole discretion to discontinue sales of the Drug Product in such country or to undertake the defense of a patent infringement action or the prosecution of a declaratory judgment action with respect to the Third Party Patents.

(i) OFFSET. HMR shall be entitled to offset against royalties otherwise due to VERTEX in respect of Net Sales of the affected Drug Product in that country [**********
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(ii) VERTEX OUT OF POCKET EXPENSES. If HMR is conducting the defense of the Infringement Claim or the prosecution of any such declaratory judgment action, and VERTEX is a party to the action, then VERTEX's out-of-pocket costs shall be reported to HMR and [**********
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(iii) REIMBURSEMENT OF COSTS. [**********
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(iv) DIVISION OF DAMAGES. Any remaining compensatory damages [**********
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(v) SETTLEMENT. Any settlement or consent judgment or other voluntary final disposition of a suit under this Section 7.3 will be at HMR's sole discretion and good business judgment, but if entered into without VERTEX's consent (which shall not be unreasonably withheld), no amounts due to VERTEX hereunder shall be reduced on account of any such settlement, consent judgment or other disposition. The proceeds of any such settlement will be divided between the parties as above.

(vi) LICENSE. If the terms of a Third Party license under Section 7.3(b) are unacceptable to VERTEX but not to HMR, then HMR may nonetheless obtain such license on the terms proposed, after full and complete disclosure to and discussions with, VERTEX concerning the facts and circumstances giving rise to HMR's conclusions with respect to the proposed license. Under those circumstances, HMR shall be entitled to offset against royalties otherwise due VERTEX as follows: [**
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7.4 INFRINGEMENT CLAIMS AGAINST THIRD PARTIES

(a) COOPERATION. VERTEX and HMR each agree to take reasonable actions to protect their respective Patents and Technology from infringement and from unauthorized possession or use. (Such reasonable actions shall include, but shall not be limited to, reasonable actions necessary to

control the sale of parallel imports or gray market goods through appropriate filings with a country's international trade regulatory agency, e.g., the United States International Trade Commission and the U.S. Customs Service.) If one party brings any such action or proceeding, the second party may be joined as a party plaintiff if necessary for the action or proceeding to proceed and, in case of joining, the second party agrees to give the first party reasonable assistance and authority to file and to prosecute such suit.

(b) NOTICE. If any VERTEX Patents, HMR Patents or jointly owned Patents are infringed or VERTEX Know-How or HMR Know-How is misappropriated, as the case may be, by a Third Party, the party to this Agreement first having knowledge of such infringement or misappropriation, or knowledge of a reasonable probability of such infringement or misappropriation, shall promptly notify the other in writing. The notice shall set forth the facts of such infringement or misappropriation in reasonable detail.

(c) INSTITUTION OF PROCEEDINGS. The party prosecuting and maintaining the Patent, shall have the primary right, but not the obligation, to institute, prosecute, and control with its own counsel any action or proceeding with respect to infringement or misappropriation of such Patent or technology and the other party shall have the right, at its own expense, to be represented in such action by its own counsel.

(d) FAILURE TO INSTITUTE PROCEEDINGS. If the party having the primary right or responsibility to institute, prosecute, and control such action or prosecution fails to do so within a period of one hundred twenty (120) days after receiving notice of the infringement, the other party shall have the right to bring and control any such action by counsel of its own choice, and the other party shall have the right, at its own expense, to be represented in any such action by counsel of its own choice.

(e) COSTS AND EXPENSES. The costs and expenses of all suits brought by a party under this Section 7.4 shall be [**********
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(f) DIVISION OF DAMAGES AWARD. Any remaining compensatory damages [**********
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(g) SETTLEMENT. The settlement or consent judgment or other voluntary final disposition of a suit under this Section 7.4 may be undertaken at the sole discretion and good business judgment of the party who initiated the suit. The proceeds of any such settlement will be [**** **********].

7.5 NOTICE OF CERTIFICATION. VERTEX and HMR each shall immediately give notice to the other of any certification filed under the U.S. "Drug Price Competition and Patent Term Restoration Act of 1984" claiming that a VERTEX Patent, an HMR Patent or a Joint Patent is invalid or that any infringement will not arise from the manufacture, use or sale of any Drug Product by a Third Party.

(a) If VERTEX decides not to bring infringement proceedings against the entity making such a certification, VERTEX shall give notice to HMR of its decision not to bring suit within twenty-one (21) days after receipt of notice of such certification.

(b) HMR may then, but is not required to, bring suit against the party that filed the certification.

(c) Any suit by HMR or VERTEX shall either be in the name of HMR or in the name of VERTEX, or jointly in the name of HMR and VERTEX, as may be required by law.

(d) For this purpose, the party not bringing suit shall execute such legal papers necessary for the prosecution of such suit as may be reasonably requested by the party bringing suit.

7.6 PATENT TERM EXTENSIONS. The parties shall cooperate in good faith with each other in gaining patent term extension wherever applicable to VERTEX Patents, Joint Patents and HMR Patents covering Drug Product Candidates or Drug

Product.

(a) HMR and VERTEX shall each determine which of its Patents shall be extended. The parties shall mutually determine which of the Joint Patents shall be extended.

(b) All filings for such extension shall be made by the party responsible for prosecution and maintenance of the Patent, provided, however, that in the event that the party who is responsible for prosecution and maintenance of the Patent elects not to file for an extension, such party shall (i) inform the other party of its intention not to file and (ii) grant the other party the right to file for such extension.

ARTICLE VIII
REPORTING

8.1 EXCHANGE OF INFORMATION.

(a) GENERAL. HMR and VERTEX will promptly and freely share technical information useful in connection with the development of Bulk Drug Substance, Drug Product Candidates or Drug Product, including VERTEX Know-How and HMR Know-How. Each party will permit the other to review the ongoing activities which it is conducting under the Development Program and to discuss that information with its officers, all at such reasonable times and as often as may be reasonably requested. Notwithstanding the foregoing, [**
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(b) NOTICE OF PHARMACEUTICAL SIDE-EFFECTS. HMR and VERTEX will provide to each other the information necessary to monitor the safety of Bulk Drug Substance, Drug Product Candidates and Drug Product and to meet in a timely manner, for all countries where either party has responsibility for the Drug Product, all regulatory requirements for reporting adverse reactions or adverse events. Each party shall forward to the other on a regular basis information on adverse reactions and any

material difficulties associated with clinical use, studies, investigations, tests and prescriptions of Drug Product Candidates and Drug Product. For the purposes of this agreement, definitions stated in the International Conference on Harmonization ("ICH") documents from E2A (Clinical Safety Data Management Definitions and Standards for Expedited Reporting) and E2C (Clinical Safety Data Management Periodic Safety Update Report for Marketed Drugs) will be used. The parties will exchange expedited and non-expedited case reports from all sources, changes in product labeling, actions taken by local regulators and other information pertinent to human safety of the products. The parties further agree to prepare a mutually agreeable procedure for sharing safety data.

ARTICLE IX
REPRESENTATIONS AND WARRANTIES OF VERTEX

9.1 VERTEX REPRESENTS AND WARRANTS TO HMR AS FOLLOWS:

(a) AUTHORIZATION. This Agreement has been duly executed and delivered by VERTEX and constitutes the valid and binding obligation of VERTEX, enforceable against VERTEX in accordance with its terms except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to or affecting creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of VERTEX, its officers and directors.

(b) NO THIRD PARTY RIGHTS. Except as disclosed on SCHEDULE 9.1 hereof, (a) to the best of its knowledge, VERTEX owns or possesses adequate licenses or other rights to use all VERTEX Technology, and to grant the licenses herein; and (b) to the best of its knowledge, the granting of the licenses to HMR hereunder does not violate any right known to VERTEX of any Third Party.

(c) NO THIRD PARTY PATENTS. Except as disclosed on SCHEDULE 9.1 hereof, to VERTEX's actual knowledge and based on its current understanding

of the Compounds and their use, the development, manufacture, use or sale of any Bulk Drug Substance, Drug Product Candidates or Drug Product pursuant to this Agreement will not infringe or conflict with any Third Party right or Patent, and VERTEX is not aware of any pending patent application that, if issued, would be infringed by the development, manufacture, use or sale of any Bulk Drug Substance, Drug Product Candidates or Drug Product pursuant to this Agreement.

ARTICLE X
REPRESENTATIONS AND WARRANTIES OF HMR

10.1 HMR REPRESENTS AND WARRANTS TO VERTEX AS FOLLOWS:

(a) AUTHORIZATION. This Agreement has been duly executed and delivered by HMR and constitutes the valid and binding obligation of HMR, enforceable against HMR in accordance with its terms, except as enforceability may be limited by bankruptcy, fraudulent conveyance, insolvency, reorganization, moratorium and other laws relating to creditors' rights generally and by general equitable principles. The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of HMR, its officers and directors.

(b) NO THIRD PARTY RIGHTS. (a) To the best of its knowledge, HMR owns or possesses adequate licenses or other rights to use all HMR Technology, and to grant the licenses herein; and (b) to the best of its knowledge, the granting of the licenses to VERTEX hereunder does not violate any right known to HMR of any Third Party.

(c) NO THIRD PARTY PATENTS. To HMR's actual knowledge and based on its current understanding of Compounds and their use, the manufacture, use or sale of any Bulk Drug Substance, Drug Product Candidates or Drug Product pursuant to this Agreement will not infringe or conflict with any Third Party right or Patent, and HMR is not aware of any pending patent application that, if issued, would be infringed by the development, manufacture, use or sale of any Bulk Drug Substance, Drug Product Candidate or Drug Product pursuant to this Agreement.

ARTICLE XI
CONFIDENTIALITY

11.1 UNDERTAKING. During the term of this Agreement, each party shall keep confidential, and other than as provided herein shall not use or disclose, directly or indirectly, any trade secrets, confidential or proprietary information, or any other knowledge, information, documents or materials, owned, developed or possessed by the other party, whether in tangible or intangible form, the confidentiality of which such other party takes reasonable measures to protect, including but not limited to VERTEX Know-How and HMR Know-How.

(a) Each party shall take any and all lawful measures to prevent the unauthorized use and disclosure of such information, and to prevent unauthorized persons or entities from obtaining or using such information.

(b) Each party further agrees to refrain from directly or indirectly taking any action which would constitute or facilitate the unauthorized use or disclosure of such information. Each party may disclose such information to its officers, employees and agents, to authorized licensees and sublicensees, and to subcontractors in connection with the development or manufacture of Bulk Drug Substance, Drug Product Candidates or Drug Product, to the extent necessary to enable such parties to perform their obligations hereunder or under the applicable license, sublicense or subcontract, as the case may be; provided, that such officers, employees, agents, licensees, sublicensees and subcontractors have entered into appropriate confidentiality agreements for secrecy and non-use of such information which by their terms shall be enforceable by injunctive relief at the instance of the disclosing party.

(c) Each party shall be liable for any unauthorized use and disclosure of such information by its officers, employees and agents and any such sublicensees and subcontractors.

11.2 EXCEPTIONS. Notwithstanding the foregoing, the provisions of Section 11.1 hereof shall not apply to knowledge, information, documents or materials which the receiving party can conclusively establish:

(a) have entered the public domain without such party's breach of any obligation owed to the disclosing party;

(b) are permitted to be disclosed by the prior written consent of the disclosing party;

(c) have become known to the receiving party from a source other than the disclosing party, other than by breach of an obligation of confidentiality owed to the disclosing party;

(d) are disclosed by the disclosing party to a Third Party without restrictions on its disclosure;

(e) are independently developed by the receiving party without breach of this Agreement; or

(f) are required to be disclosed by the receiving party to comply with applicable laws or regulations, to defend or prosecute litigation or to comply with governmental regulations, provided that the receiving party provides prior written notice of such disclosure to the disclosing party and takes reasonable and lawful actions to avoid or minimize the degree of such disclosure.

11.3 PUBLICITY. The parties will agree upon the timing and content of any initial press release or other public communications relating to this Agreement and the transactions contemplated herein.

(a) Except to the extent already disclosed in that initial press release or other public communication, no public announcement concerning the existence or the terms of this Agreement or concerning the transactions described herein shall be made, either directly or indirectly, by VERTEX or HMR, except as may be legally required by applicable laws, regulations, or judicial order, without first obtaining the approval of the other party and agreement upon the nature, text, and timing of such announcement, which approval and agreement shall not be unreasonably withheld.

(b) The party desiring to make any such public announcement shall provide the other party with a written copy of the proposed announcement in

sufficient time prior to public release to allow such other party to comment upon such announcement, prior to public release.

11.4 SURVIVAL. The provisions of this Article XI shall survive the termination of this Agreement and shall extend for a period of five (5) years thereafter.

ARTICLE XII
PUBLICATION

12.1 PUBLICATION. Each of HMR and VERTEX reserves the right to publish or publicly present the results of the Development Program (research, clinical, etc.) (the "Results") subject to the following terms and conditions:

(a) As soon as reasonably practical after its formation, the JMC and/or the JDC, will establish a long term strategic publication plan governing publication of the Results and public appearances (congresses, presentations, press releases, advisory boards and the like) with the goal to use and combine all existing data to support and maximize the commercial success of the Compound (the "Publication Plan"). VERTEX has provided to HMR, and HMR will approve with such approval not to be unreasonably withheld, a proposed list of publications for inclusion in the overall publication plan, pursuant to which VERTEX personnel will make disclosures concerning VERTEX's pre-clinical work in discovering and characterizing HMR3480/VX-740 and related Compounds. Authorship of each publication will be determined at time of submission for publication based on the contributions provided thereto.

(b) The party proposing to publish or publicly present the Results (the "publishing party") will submit a draft of any proposed manuscript or speech to the other party (the "non-publishing party") for comments and to the JMC and, with respect to matters relating to Compound discovery and preclinical activities, to the JDC, for approval and inclusion in the Publication Plan prior to submission for publication or oral presentation.

(c) If the publishing party shall disagree with the non-publishing party's assessment of the impact of the publication, then the issue shall be

referred to the JMC and, as appropriate, the JDC which will have sole discretion for resolution in accordance with Article V, based upon a determination whether that publication would have a material adverse impact on contemplated patent filings, or on the development or commercialization of a Drug Product.

(d) The parties agree that authorship of any publication will be determined based on the customary standards then being applied in the relevant scientific journal.

(e) The parties will use their best efforts to gain the right to review proposed publications by consultants or contractors relating to the subject matter of the Development Program.

(f) No party may publish confidential or proprietary information of the other party, the use of which is restricted under Article XI hereof, without the consent of the other party.

(g) No party may publish information or results that are the subject of, or are deemed to be suitable for, patent protection by the JDC or JMC, without first obtaining approval from patent counsel in charge of prosecuting that patent application (who shall take into consideration the absolute novelty requirements of applicable jurisdictions).

(h) This Article XII shall be inapplicable to the publication of information presented in substantially the same form in which was previously published or disclosed to the public, and to any other disclosures which, on the advice of counsel, are required by law to be disclosed.

ARTICLE XIII
TERM AND TERMINATION

13.1 TERM

(a) TERM. The term of this Agreement shall extend in each country until the later of: (a) the last to expire of the VERTEX Patents with a Live Claim encompassing a Compound utilized in a Drug Product; or (b) [******]years from the date of First Commercial Sale of a Drug Product in that

country; unless earlier terminated in accordance with this Agreement. It is understood and acknowledged that the expiration or termination of the obligation to make royalty payments shall be governed by Section 6.4.

(b) ACCRUED OBLIGATIONS. Except where explicitly provided elsewhere herein, termination of this Agreement for any reason, or expiration of this Agreement, will not affect: (i) obligations, including the payment of any royalties or other sums which have accrued as of the date of termination or expiration, and (ii) rights and obligations which, from the context thereof, are intended to survive termination or expiration of this Agreement.

13.2 TERMINATION BY VERTEX FOR CAUSE.

(a) NON-COMPETE. VERTEX may terminate this Agreement upon [**********] prior written notice to HMR upon the material breach by HMR of any of its obligations under Section 2.4 of this Agreement; provided, however, that such termination shall become effective only if HMR shall fail to remedy or cure the breach within such [**********] period.

(b) FAILURE TO DEVELOP. VERTEX shall have the right to terminate this Agreement upon the occurrence of any of the following:

(i) If VERTEX has exercised its Step-in rights under Section 3.6 and, within [**********] after receipt of written notification of such exercise, HMR has not notified VERTEX of its intent to resume the Development Work; or

(ii) If HMR shall breach its obligations under Section 3.7 hereof and shall remain in material breach of those obligations [**********] after written notice of that breach is delivered to HMR by VERTEX, provided, however, that VERTEX may not exercise the foregoing termination right (by written notice or otherwise) during the period extending from the exercise of its Step-In rights under Section 3.6 hereof through the earlier of [**********

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(c) FAILURE TO COMMERCIALIZE. In furtherance of HMR's obligations under Sections 3.5 and 5.8, VERTEX shall have the right to terminate this Agreement upon [**********] prior written notice to HMR in each case, if HMR has not put the Drug Product into commercial use in such Major Market Country within a commercially reasonable period after the date of the first Regulatory Approval for a Drug Product in that Major Market Country, or following the First Commercial Sale in such Major Market Country, is not using commercially reasonable efforts consistent with those used by HMR for its own compounds of similar commercial potential to keep the Drug Product reasonably available to the public in such Major Market Country, UNLESS with respect to any particular Major Market Country:

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(d) PAYMENT OBLIGATION. VERTEX may terminate this Agreement upon [**********] prior written notice to HMR upon the material breach by HMR of its payment obligations under Article 6, provided, however, that such payment obligation is not the subject of a good faith dispute and such termination shall become effective only if HMR shall fail to remedy or cure the breach within such [**********] period.

13.3 HMR RIGHT TO TERMINATE WITHOUT CAUSE. HMR may terminate this Agreement without cause upon [**********] prior written notice to VERTEX.

13.4 HMR RIGHT TO TERMINATE FOR LACK OF COMMERCIAL VIABILITY. HMR may terminate this Agreement if in its sole discretion, and upon [**********] written notice, HMR determines that commercial conditions (which it shall describe to VERTEX in reasonable detail in its notice) are such that [**********
**********].

13.5 TERMINATION OF CO-PROMOTION RIGHTS.

(a) BREACH OF CO-PROMOTION OBLIGATIONS IN NORTH AMERICA. If VERTEX shall materially breach its obligations to Co-Promote a Drug Product in North America under Section 5.4 hereof, HMR may terminate VERTEX's right to Co-Promote Drug Product in North America, effective upon [**********] prior written notice to VERTEX, provided that such termination shall become effective only if VERTEX shall fail to remedy or cure its breach within that [**********]period. Upon the effective date of termination of VERTEX's Co-Promotion rights under this Section 13.5(a):

(i) [**********
****

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

(ii) [**********
****
****
**********]

(iii)[**********
****
****
**********]

(b) BREACH OF CO-PROMOTION OBLIGATIONS IN EUROPE. If VERTEX has exercised its right to Co-Promote a Drug Product in the European Union pursuant to Section 5.5 hereof, and shall thereafter materially breach its obligations to Co-Promote that Drug Product under Section 5.5, then HMR may terminate VERTEX's right to Co-Promote that Drug Product in the European Union, effective upon [**********] prior written notice to VERTEX, provided that such termination shall become effective only if VERTEX shall fail to remedy or cure its breach within that [**********] period. Upon the effective date of termination of VERTEX's Co-Promotion rights under this Section 13.5(b):

(i) [**********
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**********]

(ii) [**********
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**********]

(c) TERMINATION. HMR may terminate VERTEX's co-promotion rights hereunder on a country-by-country basis upon the occurrence of an event contemplated by Section 6.4(1) and as a result of which, and so long as,

HMR significantly reduces or terminates its promotional expenditure in such country.

13.6 TERMINATION BY HMR FOR CAUSE.

(a) NON COMPETE. HMR may terminate this Agreement upon [**********] prior written notice to VERTEX upon the material breach by VERTEX of any of its obligations under Section 2.4; provided, however, that such termination shall become effective only if VERTEX shall fail to remedy or cure the breach within such [**********] period.

(b) REPRESENTATIONS AND WARRANTIES; INDEMNIFICATION. HMR may terminate this Agreement upon [**********] prior written notice to VERTEX upon the material breach by VERTEX of any of its representations or warranties under Article 9 or any of its obligations under Article 14; provided, however, that such termination shall become effective only if such material breach amounts to fraud (including, but not limited to, willful misrepresentation or misconduct) and VERTEX shall fail to remedy or cure the breach within such [**********] period.

13.7 EFFECTS OF TERMINATION.

(a) In the event of an effective termination by VERTEX under Section 13.2 hereof:

(i) HMR TECHNOLOGY (MANUFACTURING). VERTEX shall have a nonexclusive license (with the right to sublicense or subcontract) to the manufacturing technology Controlled by HMR as of the effective date of termination and necessary to make Drug Product or Drug Product Candidate; PROVIDED, that VERTEX shall not permit any sublicensee or subcontractor to use HMR technology without provisions safeguarding confidentiality at least equivalent to those provided in this Agreement. For a period of [**********] following the effective date of termination, HMR will provide VERTEX and its sublicensees, at VERTEX's expense and in accordance with procedures to be

agreed by the parties, with reasonable access to information and know-how necessary for VERTEX to apply the licensed technology and will otherwise provide VERTEX with reasonable assistance as may be required by VERTEX in connection therewith.

(ii) ROYALTY. VERTEX shall pay HMR a royalty of [**********] of Net Sales of any Drug Product manufactured under the manufacturing technology Controlled by HMR or a Prior Joint Invention, Joint Invention, or Prior Patent so long as the Drug Product would infringe any of such proprietary rights.

(iii) HMR SUPPLY OF DRUG PRODUCT CANDIDATES AND DRUG PRODUCT. At VERTEX's option and for a period of up to [*******] following termination of this Agreement by VERTEX under Section 13.2 hereof, HMR will supply VERTEX with all of its requirements for clinical supplies of each Drug Product Candidate under development on the effective date of termination, and each Drug Product in the amount being sold on the effective date of termination or as forecasted to be sold for the [**********] (immediately after the effective date of termination) by and in accordance with the JMC approved marketing plan in effect immediately prior to delivery of the notice of termination; PROVIDED THAT HMR shall not be required to supply either Drug Product Candidates or Drug Product hereunder [**********
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**********].

(iv) REGULATORY FILINGS. All filings with regulatory authorities concerning Drug Product Candidates and Drug Product will be assigned or otherwise transferred to VERTEX as soon as

practicable and at HMR's expense.

(v) TRADEMARK ROYALTY. If a trademark owned by HMR is being used by VERTEX in connection with the sale of a Drug Product [**********] after termination, VERTEX shall pay to HMR a royalty of [**********] so long as the trademark is in use by VERTEX thereafter.

(b) In the event of an effective termination by HMR under Section 13.3 or Section 13.4 hereof: VERTEX shall have the same rights referenced in Section 13.7(a), [**********].

(c) In the event of an effective termination by HMR under Section 13.6 hereof: HMR shall have an exclusive, royalty-free, license in the Field under the VERTEX Patents and under VERTEX's interest in any Joint Inventions necessary to make, have made, use, sell or have sold the Drug Product or Drug Product Candidate.

ARTICLE XIV
INDEMNIFICATION

14.1 INDEMNIFICATION BY VERTEX. VERTEX will indemnify and hold HMR and its Affiliates, and their employees, officers and directors harmless against any loss, damages, action, suit, claim, demand, liability, expense, bodily injury, death or property damage (a "Loss"), that may be brought, instituted or arise against or be incurred by such persons to the extent such Loss is based on or arises out of:

(a) the development, manufacture, use, sale, storage or handling of a Compound, a Drug Product Candidate or a Drug Product by VERTEX or its Affiliates or their representatives, agents or subcontractors under this Agreement, or any actual or alleged violation of law resulting therefrom;

(b) the breach by VERTEX of any of its covenants, representations or warranties set forth in this Agreement; or

(c) provided however, that the foregoing indemnification shall not apply to any Loss to the extent such Loss is caused by the negligent or willful misconduct of HMR or its Affiliates.

14.2 INDEMNIFICATION BY HMR. HMR will indemnify and hold VERTEX, and its Affiliates, and their employees, officers and directors harmless against any Loss that may be brought, instituted or arise against or be incurred by such persons to the extent such Loss is based on or arises out of:

(a) the development, manufacture, use, sale, storage or handling of Bulk Drug Substance, a Drug Product Candidate or a Drug Product by HMR or its Affiliates or their representatives, agents or subcontractors under this Agreement, or any actual or alleged violation of law resulting therefrom (with the exception of Losses based on infringement or misappropriation of intellectual property rights); or

(b) the breach by HMR of any of its covenants, representations or warranties set forth in this Agreement;

(c) provided that the foregoing indemnification shall not apply to any Loss to the extent such Loss is caused by the negligent or willful misconduct of VERTEX or its Affiliates.

14.3 CLAIMS PROCEDURES. Each Party entitled to be indemnified by the other Party (an "Indemnified Party") pursuant to Section 15.1 or 15.2 hereof shall give notice to the other Party (an "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any threatened or asserted claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided:

(a) That counsel for the Indemnifying Party, who shall conduct the defense of such claim or any litigation resulting therefrom, shall be approved by the Indemnified Party (whose approval shall not unreasonably be withheld) and the Indemnified Party may participate in such defense at such party's expense (unless (i) the employment of counsel by such Indemnified Party has been authorized by the Indemnifying Party; or (ii) the Indemnified Party shall have reasonably concluded that there may be

a conflict of interest between the Indemnifying Party and the Indemnified Party in the defense of such action, in each of which cases the Indemnifying Party shall pay the reasonable fees and expenses of one law firm serving as counsel for the Indemnified Party, which law firm shall be subject to approval, not to be unreasonably withheld, by the Indemnifying Party); and

(b) The failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement to the extent that the failure to give notice did not result in harm to the Indemnifying Party.

(c) No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the approval of each Indemnified Party which approval shall not be unreasonably withheld, consent to entry of any judgment or enter into any settlement which (i) would result in injunctive or other relief being imposed against the Indemnified Party; or (ii) does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(d) Each Indemnified Party shall furnish such information regarding itself or the claim in question as an Indemnifying Party may reasonably request in writing and shall be reasonably required in connection with the defense of such claim and litigation resulting therefrom.

14.4 COMPLIANCE. The parties shall comply fully with all applicable laws and regulations in connection with their respective activities under this Agreement.

14.5 INSURANCE. Each party shall use all commercially reasonable efforts to maintain insurance, including product liability insurance, with respect to its activities hereunder.

(a) Such insurance shall be in such amounts and subject to such deductibles as the parties may agree based upon standards prevailing in the industry at the time.

(b) Either party may satisfy its obligations under this Section through self-

insurance to the same extent.

(c) At such time as a Drug Product is being manufactured by a party for commercial sale, that party shall name the other party as an additional insured on any such policies.

ARTICLE XV
MISCELLANEOUS PROVISIONS

15.1 GOVERNING LAW; JURISDICTION. This Agreement shall be governed and construed in accordance with the laws of the State of Delaware.

15.2 WAIVER. The failure on the part of HMR or VERTEX to exercise or enforce any rights conferred upon it hereunder shall not be deemed to be a waiver of any such rights nor operate to bar the exercise or enforcement thereof at any time or times thereafter. The observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) by the party entitled to enforce such term, but any such waiver shall be effective only if in writing signed by the party against whom such waiver is to be asserted.

15.3 FORCE MAJEURE. Neither party shall be held liable or responsible to the other party nor be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement, other than an obligation to make a payment, when such failure or delay is caused by or results from fire, floods, embargoes, government regulations, prohibitions or interventions, war, acts of war (whether war be declared or not), insurrections, riots, civil commotion, strikes, lockouts, acts of God, or any other cause beyond the reasonable control of the affected party.

15.4 REGISTRATION OF LICENSE. HMR may, at its own expense and its sole discretion, register the license granted under this Agreement in any country where the use, sale or manufacture of a Drug Product in such country would be covered by a Live Claim. Upon request by HMR, VERTEX will promptly execute any "short form" licenses submitted to it by HMR in order to effect the foregoing registration in such country, but such licenses shall in no way alter or affect the obligations of the parties hereunder.

15.5 SEVERABILITY. It is the intention of the parties to comply with all applicable laws domestic or foreign in connection with the performance of its obligations hereunder. In the event that any provision of this Agreement, or any part hereof, is found invalid or unenforceable, the remainder of this Agreement will be binding on the parties hereto, and will be construed as if the invalid or unenforceable provision or part thereof had been deleted, and the Agreement shall be deemed modified to the extent necessary to render the surviving provisions enforceable to the fullest extent permitted by law.

15.6 GOVERNMENT ACTS. In the event that any act, regulation, directive, or law of a government, including its departments, agencies or courts, should make impossible or prohibit, restrain, modify or limit any material act or obligation of HMR or VERTEX under this Agreement, the party, if any, not so affected shall have the right, at its option, to suspend or terminate this Agreement as to such country, if good faith negotiations between the parties to make such modifications to this Agreement as may be necessary to fairly address the impact thereof, after a reasonable period of time are not successful in producing mutually acceptable modifications to this Agreement.

15.7 GOVERNMENT APPROVALS. HMR will use reasonable efforts to obtain any government approval required to enable this Agreement to become effective, or to enable any payment hereunder to be made, or any other obligation hereunder to be observed or performed. Each party will keep the other informed of progress in obtaining any such approvals.

15.8 ASSIGNMENT. This Agreement may not be assigned or otherwise transferred by either party without the prior written consent of the other party; provided, however, that either party may assign this Agreement, without the consent of the other party, (i) to any of its Affiliates, if the assigning party guarantees the full performance of its Affiliates' obligations hereunder, or (ii) in connection with the transfer or sale of all or substantially all of its assets or business or in the event of its merger or consolidation with another company. In all cases the assigning party shall provide the other party with prompt notice of any such assignment. Any purported assignment in contravention of this Section shall, at the option of the nonassigning party, be null and void and of no effect. No assignment shall release either party from responsibility for the performance of any accrued

obligation of such party hereunder.

15.9 AFFILIATES. Each party may perform its obligations hereunder personally or through one or more Affiliates, although each party shall nonetheless be solely responsible for the performance of its Affiliates. Neither party shall permit any of its Affiliates to commit any act (including any act of omission) which such party is prohibited hereunder from committing directly.

15.10 COUNTERPARTS. This Agreement may be executed in duplicate, both of which shall be deemed to be originals, and both of which shall constitute one and the same Agreement.

15.11 NO AGENCY. Nothing herein contained shall be deemed to create an agency, joint venture, `amalgamation, partnership or similar relationship between VERTEX and HMR. Notwithstanding any of the provisions of this Agreement, neither party shall at any time enter into, incur, or hold itself out to third parties as having authority to enter into or incur, on behalf of the other party, any commitment, expense, or liability whatsoever, and all contracts, expenses and liabilities undertaken or incurred by one party in connection with or relating to the development, manufacture or sale of Bulk Drug Substance, Drug Product Candidates or Drug Product shall be undertaken, incurred or paid exclusively by that party, and not as an agent or representative of the other party.

15.12 NOTICE. All communications between the parties with respect to any of the provisions of this Agreement will be sent to the addresses set out below, or to other addresses as designated by one party to the other by notice pursuant hereto, by internationally recognized courier or by prepaid certified, air mail (which shall be deemed received by the other party on the seventh business day following deposit in the mails), or by facsimile transmission or other electronic means of communication (which shall be deemed received when transmitted), with confirmation by letter given by the close of business on or before the next following business day:

if to HMR, at:

HOECHST MARION ROUSSEL DEUTSCHLAND GmbH
Koenigsteiner Strasse 10
65812 Bad Soden am Taunus

GERMANY
Attention: General Manager

with a copy to:

Morgan, Lewis & Bockius LLP
214 Carnegie Center
Princeton, New Jersey 08540
Attention: Randall B. Sunberg, Esq.
Fax: (609) 520-6639

if to VERTEX, at:

Vertex Pharmaceutical Incorporated
130 Waverly Street
Cambridge, MA U.S.A. 02139-4211
Attention: Richard H. Aldrich, Senior Vice President and
Chief Business Officer
Fax: (617) 577-6680

with a copy to:

Kirkpatrick & Lockhart LLP
75 State Street
Boston, MA U.S.A. 02109
Attention: Kenneth S. Boger, Esq.
Fax: (617) 951-9151

15.13 HEADINGS. The paragraph headings are for convenience only and will not be deemed to affect in any way the language of the provisions to which they refer.

15.14 AUTHORITY. The undersigned represent that they are authorized to sign this Agreement on behalf of the parties hereto. The parties each represent that no provision of this Agreement will violate any other agreement that such party may have with any other person or company. Each party has relied on that representation in entering into this Agreement.

15.15 ENTIRE AGREEMENT. This Agreement, including the Schedules appended hereto, contains the entire understanding of the parties relating to the matters referred to herein, and may only be amended by a written document, duly executed on behalf of the respective parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

VERTEX PHARMACEUTICALS
INCORPORATED

By:

Richard H. Aldrich
Title: Senior Vice President and Chief Business Officer

HOECHST MARION ROUSSEL
DEUTSCHLAND GMBH

By:

Title:

By:

Title:

SCHEDULE 1.5
COMPOUNDS

- ---

HMR3480/VX-740 is the compound 9S-[(Isoquinoline-1-carbonyl)-amino]-6, 10-dioxo-octahydropyradazino[1,2-a][1,2]diazepine-1S-carboxylic acid (2R-ethoxy-5-oxo-tetrahydrofuran-3S-yl)-amide, illustrated below.

[Compound Structure Diagram]

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

SCHEDULE 1.19

HMR PATENTS

[*********	**********	**********	*****]
[******	******	**********	********** ********** ********** ********** ********** ***]
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SCHEDULE 1.25

COUNTRIES OF LATIN AMERICA

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Belize
Costa Rica
Guatemala
Honduras
Mexico
Nicaragua
Panama
Salvador

Argentina
Bolivia
Brazil
Chile
Colombia
Ecuador
Guiana
Paraguay
Peru
Surinam
Uruguay
Venezuela

Anguilla
Antigua
Bahamas
Barbados
British Guyana
British Virgin Islands
Cuba
Dominica
Dominican Republic
Grenada
Grenadienes
Haiti
Jamaica
Montserat
Netherland Antilles
Nevis
St. Kitts
St. Lucia
St. Vincent
Suriname
Tortola

SCHEDULE 1.26

MAJOR MARKET COUNTRIES

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SCHEDULE 1.42

VERTEX PATENTS
(THE FOLLOWING DOCKET #S AND EQUIVALENTS WORLDWIDE)

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SCHEDULE 7.2.1

PRIOR PATENTS
(THE FOLLOWING DOCKET #S AND EQUIVALENTS WORLDWIDE)

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SCHEDULE 7.2.2

MINIMUM PATENT FILING COUNTRIES

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SCHEDULE 9.1

VERTEX DISCLOSURES

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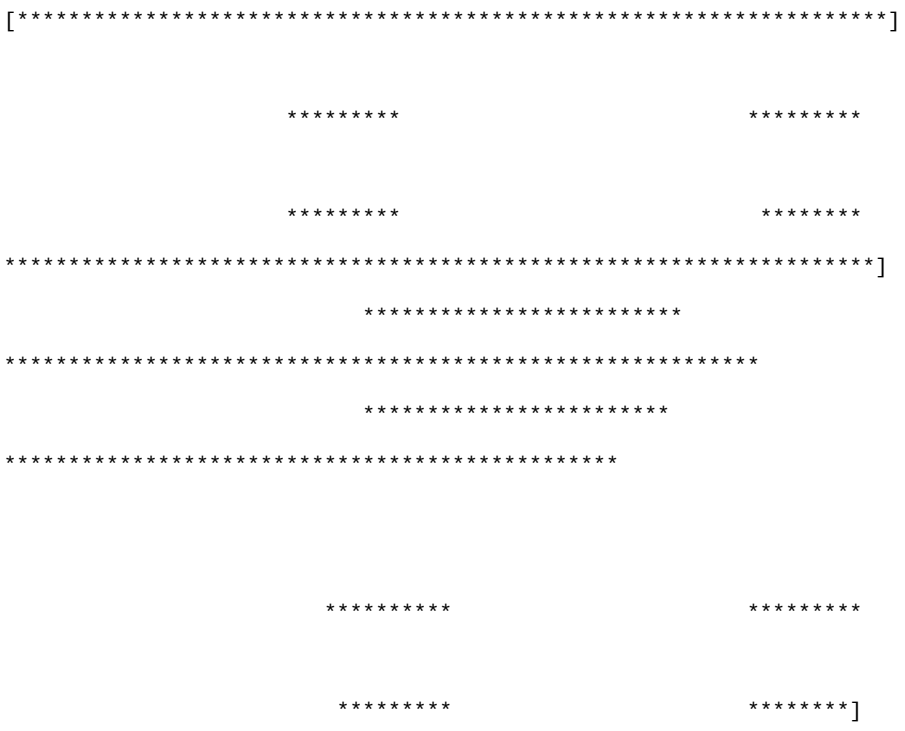

EXHIBIT 10.2

VERTEX PHARMACEUTICALS INCORPORATED HAS OMITTED FROM THIS EXHIBIT 10.2 PORTIONS OF THE AGREEMENT FOR WHICH THE COMPANY HAS REQUESTED CONFIDENTIAL TREATMENT FROM THE SECURITIES AND EXCHANGE COMMISSION. THE PORTIONS OF THIS EXHIBIT FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED ARE MARKED WITH BRACKETED ASTERISKS ([****]), AND SUCH CONFIDENTIAL PORTIONS HAVE BEEN FILED SEPARATELY WITH THE SECURITIES AND EXCHANGE COMMISSION.

LEASE

by and between

Trustees of Fort Washington Realty Trust,

Landlord,

and

Vertex Pharmaceuticals Incorporated

Tenant

ARTICLE I

REFERENCE DATA

1.1 SUBJECTS REFERRED TO

ANNUAL FIXED RENT RATE:	Subject to Sections 2.3 and 4.1(b) hereof, (i) [***]/r.s.f. for the Basement of the Building, [***]/r.s.f. for each of Levels 1, 2 and 3 of the Building, and [***]/r.s.f. for Level 4 of the Building or (ii) if Landlord advances the Tenant Allowance, the Annual Fixed Rent Rate set forth above shall be [***]/r.s.f. for the Basement of the Building, [***]/r.s.f. for Levels 1, 2 and 3 of the Building and [***]/r.s.f. for Level 4 of the Building.
APPROXIMATE TERM:	10 years and 4 months or 15 years and 4 months if Landlord advances the Tenant Allowance.
BUILDING:	The Building known as and numbered 200 Sidney Street, Cambridge, Massachusetts, to be constructed by Landlord and containing approximately 191,904 rentable square feet ("r.s.f.")
BUILDING ADDRESS:	200 Sidney Street Cambridge, Massachusetts
INITIAL ESTIMATED ANNUAL ADDITIONAL RENT:	[**********]based upon [***]/r.s.f.
LANDLORD:	David E. Clem and David M. Roby, Trustees of Fort Washington Realty Trust u/d/t dated June 19, 1995, recorded with the Middlesex (South) District Registry of Deeds in Book 25422, Page 360 and filed with the Middlesex (South) Registry District of the Land Court as Document No. 976230
LANDLORD'S ARCHITECT:	Arrowstreet, Inc.

LANDLORD'S ADDRESS:	c/o Lyme Properties LLC 101 Main Street Cambridge, Massachusetts 02142
LANDLORD'S CONTRACTOR:	William A. Berry & Son, Inc.
LANDLORD'S REPRESENTATIVE:	David Clem
LEASE YEAR:	Each consecutive period of twelve (12) calendar months commencing on the Commencement Date if it occurs on the first day of a calendar month and otherwise commencing on the first day of the month immediately following the month in which the Commencement Date occurs, and each anniversary of such date, except that the first Lease Year shall be approximately one year and four months so as to include the period from the Commencement Date through the Rent Commencement Date or until the first day of the following month in the event that the Rent Commencement Date does not occur on the first day of a calendar month.
LOT:	The land shown on EXHIBIT A and more particularly described on EXHIBIT A-1 attached hereto.
MANAGING AGENT:	Hall Keen Management, Inc.
OPTIONS TO EXTEND:	Two (2) Options to Extend the Term of this Lease for successive periods of ten (10) years each, in accordance with Section 10.12 hereof.
PERMITTED USES:	General office, research and development, laboratory and light manufacturing.
PREMISES:	Approximately 191,904 r.s.f. of space in the Building to be constructed by Landlord on the Lot as shown on EXHIBIT A.

PREMISES DESIGN FLOOR AREA:	191,904 r.s.f., comprised of 37,211 r.s.f. in the Basement of the Building, 43,515 r.s.f. on Level 1 of the Building, 44,266 r.s.f. on Level 2 of the Building, 41,693 r.s.f. on Level 3 of the Building, and 25,219 r.s.f. on Level 4 of the Building, which Level 4 space includes a 17,552 r.s.f. enclosed high bay mechanical penthouse to accommodate mechanical, electrical and plumbing equipment to be installed by Landlord and Tenant.
PUBLIC LIABILITY INSURANCE LIMITS:	Bodily injury: $10,000,000 Property Damage: $10,000,000
SCHEDULED SUBSTANTIAL COMPLETION DATE:	May 1, 2000
SCHEDULED RENT COMMENCEMENT DATE:	September 1, 2000
SCHEDULED TERM COMMENCEMENT DATE:	May 1, 2000
SECURITY DEPOSIT:	As further described in Section 10.11 hereof, a letter of credit or cash in the initial amount of [*******] plus an amount equal to the Initial Estimated Annual Additional Rent ([*********]), subject to adjustment in accordance with Sections 2.3 and 10.11 hereof.
TENANT:	Vertex Pharmaceuticals Incorporated.
TENANT'S ADDRESS (For Notice and Billing):	130 Waverly Street Cambridge, Massachusetts 02139-4242
TENANT ALLOWANCE:	Subject to Section 2.3 hereof, [**********] ([***]/r.s.f.), comprised of [***]/r.s.f. for basement and penthouse space and [***]/r.s.f. for lab/office space

TENANT'S ARCHITECT:	Tsoi/Kobus & Associates, Inc.
TENANT'S PROPORTIONATE FRACTION:	100%
TENANT'S REPRESENTATIVE:	Alfred Vaz, Jr.
TERM EXPIRATION DATE:	August 31, 2010 or August 31, 2015 if Landlord advances the Tenant Allowance, subject in either event to two (2) Options to Extend for successive periods of ten (10) years each, in accordance with Section 10.12.

1.2 EXHIBITS.

The Exhibits listed below in this section are incorporated in this Lease by reference and are to be construed as a part of this Lease:

EXHIBIT A.	Plan showing Lot
EXHIBIT A-1.	Legal Description
EXHIBIT B.	Landlord's Plans
EXHIBIT C.	Rules and Regulations
EXHIBIT D.	Schedule of Floor Load Limits

1.3 TABLE OF CONTENTS

ARTICLE I....2
1.1 SUBJECTS REFERRED TO....2
1.2 EXHIBITS....5
1.3 TABLE OF CONTENTS....6
ARTICLE II....9
2.1 PREMISES....9
2.2 TERM....9
2.3 MODIFICATION OF CERTAIN DEFINITIONS; CERTIFICATE REGARDING COMMENCEMENT DATE....10
ARTICLE III....10
3.1 INITIAL CONSTRUCTION....10
3.2 PREPARATION OF PREMISES FOR PERFORMANCE OF TENANT'S WORK....12
3.3 GENERAL PROVISIONS APPLICABLE TO CONSTRUCTION....15
3.4 REPRESENTATIVES....17
3.5 CORRECTION OF LANDLORD'S WORK....17
ARTICLE IV....18
4.1 FIXED RENT....18
4.2 ADDITIONAL RENT....19
4.2.1 Real Estate Taxes....19
4.2.2 Insurance....20
4.2.2.1 Insurance Taken Out by Tenant....20
4.2.2.2 Insurance Taken Out by Landlord....21
4.2.2.3 Tenant Reimbursement of Insurance Taken Out by Landlord....21
4.2.2.4 Certain Requirements Applicable to Insurance Policies....22
4.2.2.5 Waiver of Subrogation....22
4.2.3 Utilities....23
4.2.4 Common Area Maintenance and Expenses....23
4.2.5 Payments on Account of Taxes, Insurance and Utilities....26
4.3 LATE PAYMENT OF RENT....27
ARTICLE V....27
5.1 AFFIRMATIVE COVENANTS....27
5.1.1 Perform Obligations....27
5.1.2 Occupancy and Use....27
5.1.3 Repair and Maintenance....28
5.1.4 Compliance with Law....29
5.1.5 Tenant's Work....31
5.1.6 Indemnity....32
5.1.7 Landlord's Right to Enter....32
5.1.8 Personal Property at Tenant's Risk....33
5.1.9 Payment of Landlord's Cost of Enforcement....33

5.1.10 Yield Up....33
5.1.11 Estoppel Certificate....34
5.1.12 Landlord's Expenses Re Consents....34
5.1.13 Rules and Regulations....34
5.1.14 Loading....34
5.1.15 Holdover....35
5.2 NEGATIVE COVENANTS....35
5.2.1 Assignment and Subletting....35
5.2.2 Nuisance....37
5.2.3 Installation, Alterations or Additions....37
ARTICLE VI....37
6.1 TERMINATION....37
6.2 RESTORATION....37
6.3 AWARD....38
ARTICLE VII....38
7.1 EVENTS OF DEFAULT....38
7.2 REMEDIES....39
7.3 REMEDIES CUMULATIVE....40
7.4 LANDLORD'S RIGHT TO CURE DEFAULTS....40
7.5 EFFECT OF WAIVERS OF DEFAULT....41
7.6 NO ACCORD AND SATISFACTION....41
ARTICLE VIII....41
8.1 RIGHTS OF MORTGAGE HOLDERS....41
8.2 SUPERIORITY OF LEASE; OPTION TO SUBORDINATE....42
8.3 LEASE AMENDMENTS....43
ARTICLE IX....43
9.1 AFFIRMATIVE COVENANTS....43
9.1.1 Perform Obligations....43
9.1.2 Repairs....43
9.1.3 Compliance with Law....44
9.1.4 Indemnity....44
9.1.5 Estoppel Certificate....44
9.1.6 Landlord's Title....45
9.1.7 Utilities....45
ARTICLE X....45
10.1 NOTICES FROM ONE PARTY TO THE OTHER....45
10.2 QUIET ENJOYMENT....46
10.3 EASEMENTS; CHANGES TO LOT LINES....46
10.4 LEASE NOT TO BE RECORDED....46
10.5 BIND AND INURE; LIMITATION OF LANDLORD'S LIABILITY....46
10.6 ACTS OF GOD....47
10.7 LANDLORD'S DEFAULT....47
10.8 BROKERAGE....48

10.9 APPLICABLE LAW AND CONSTRUCTION.....48
10.10 SUBMISSION NOT AN OFFER.....48
10.11 SECURITY DEPOSIT.....49
10.12 OPTIONS TO EXTEND.....50
10.13 INTENTIONALLY OMITTED.....51
10.14 PARKING.....51
10.15 CONFIDENTIAL INFORMATION.....52
10.16 SIGNAGE.....52

ARTICLE II

PREMISES AND TERM

2.1 PREMISES.

Landlord hereby leases and demises to Tenant and Tenant hereby leases from Landlord, subject to and with the benefit of the terms, covenants, conditions and provisions of this Lease, the Premises. Tenant shall have, as appurtenant to the Premises, the right to use in common with others, if any, entitled thereto (i) the common facilities, if any, included in the Building or on the Lot, (ii) the building service fixtures and equipment serving the Premises, and (iii) subject to Section 10.14 hereof, the right to use one hundred sixty-six (166) parking spaces ("Tenant's Parking Spaces") in the parking garage located at 47 Erie Street, Cambridge, Massachusetts (the "Garage").

Landlord reserves the right from time to time, without unreasonable interference with Tenant's use, (a) to install, repair, replace, use, maintain and relocate for service to the Premises and to other parts of the Building or either, building service fixtures and equipment wherever located in the Building, provided, however, that the Annual Fixed Rent, Additional Rent (as defined in Section 4.2 hereof) and other charges payable hereunder by Tenant shall be proportionally reduced in the event that any such installation or relocation of service materially reduces the usable floor area of the Premises (other than a temporary reduction to accommodate installation, repair, replacement, maintenance and relocation of such service); and (b) to alter or relocate any common facilities and/or Tenant's Parking Spaces on or (subject to Section 10.14 hereof) off the Lot, provided that in all events (1) substitutions are in compliance with applicable zoning laws, (2) substitutions are substantially equivalent, and (3) the total number of parking spaces available to Tenant on or off the Lot is not decreased.

2.2 TERM.

To have and to hold for a period (the "Term") commencing on the date which is the later of the Scheduled Term Commencement Date or the Substantial Completion Date (whichever of said dates is appropriate being hereafter referred to as the "Commencement Date"), and continuing until the Term Expiration Date, unless sooner terminated as provided in Section 3.2 or in Article VII, and subject to extension in accordance with the terms of Section 10.12 hereof. As used herein the term "Rent Commencement Date" shall mean that date which is four (4) calendar months after the Commencement Date. Tenant shall have the right to access the Premises prior to the Commencement Date for purposes of installing equipment and furnishings and performing Tenant's Work (as hereinafter defined) in accordance with and subject to the provisions of Section 3.2.

2.3 MODIFICATION OF CERTAIN DEFINITIONS; CERTIFICATE REGARDING COMMENCEMENT DATE.

Landlord and Tenant acknowledge that the actual rentable square footage of the Premises may, upon completion of construction of the Base Building Improvements (as hereinafter defined) be different than the Premises Design Floor Area as set forth in Article I hereof. Accordingly, after completion of construction of the Base Building Improvements, Landlord will notify Tenant of the actual rentable square footage of the Premises, which shall be measured in accordance with the ANSI/BOMA 265.1-1996 Standard Method for Measuring Building Rentable Area, approved June 7, 1996, and, if necessary, Landlord and Tenant will execute an amendment to this Lease modifying the definitions of the Premises Design Floor Area, the Annual Fixed Rent Rate, the Initial Estimated Annual Additional Rent, the amount of the Security Deposit (as specified in Section 10.11) and the Tenant Allowance, and such other terms and provisions, if any, of this Lease as may be necessary. Tenant shall have a period of forty-five (45) days after the date hereof within which to notify Landlord in writing whether Tenant intends to have Landlord advance the Tenant Allowance (the "Tenant Allowance Notice"). In the absence of a Tenant Allowance Notice by such date, Tenant shall be deemed to have elected not to have Landlord advance the Tenant Allowance, in which event the last paragraph of Section 3.2.1 hereof shall be of no force or effect. If Tenant elects to have Landlord advance the Tenant Allowance, Landlord and Tenant shall execute an amendment to this Lease evidencing such election, acknowledging an increase in the amount of the Security Deposit (as specified in Section 10.11) and the Term of this Lease, and amending such other terms and provisions, if any, of this Lease as may be necessary. Landlord and Tenant will also execute, upon request of either, certificates acknowledging the Commencement Date of this Lease as provided for in Section 2.2 hereof, after such commencement date has occurred (as described in Section 3.2 hereof).

ARTICLE III

IMPROVEMENTS

3.1 INITIAL CONSTRUCTION.

(a) PLANS. Landlord has developed and Tenant hereby approves construction drawings and specifications described in Exhibit B hereto ("Landlord's Work") for the Premises showing all items of work and materials to be performed and supplied by Landlord ("Base Building Improvements"). Landlord has obtained a building permit for the Base Building Improvements. Tenant acknowledges that a number of additional licenses, permits and approvals may be required in order for Landlord to commence and complete construction of the Base Building Improvements and Tenant agrees to cooperate with Landlord in obtaining the same. Landlord agrees to provide Tenant with copies of all change orders for the Base Building Improvements. Tenant shall have five (5) business days after the receipt thereof to review and approve or disapprove of any such change orders. Tenant may disapprove a change order only if

such change order would materially deviate from Landlord's Work. If Tenant does not notify Landlord of Tenant's disapproval within such five-business day period, Tenant shall be deemed to have approved such change order.

(b) If Tenant requests any change order for the Base Building Improvements, including any change relating to the construction of a covered walkway, utility and electric conduits and the like between the Building and the building known as and numbered 130 Waverly Street, Cambridge, Massachusetts (the "Phase I Building"), Landlord shall submit all such change orders with plans, specifications, pricing and a schedule of values if appropriate to Tenant for its review and approval. No change order for the Base Building Improvements requested by Tenant shall be effective unless approved by Landlord's Representative and Tenant's Representative in writing, such approval not to be unreasonably withheld or delayed. Tenant shall pay an amount equal to all costs directly incurred by Landlord as a result of any change orders signed by Tenant and Landlord affecting Landlord's Plans or the Base Building Improvements, including the cost to Landlord of Landlord's Contractor's overhead and profit equal to 10% of those costs exclusive of overhead and profit. Amounts due and payable on account of such change orders shall be paid within fifteen (15) days of billing therefor, and in all events by the Substantial Completion Date. If, however, Tenant has elected to have Landlord advance the Tenant Allowance, amounts due and payable by Tenant on account of such change orders may be applied to the extent of the unadvanced balance, if any, of the Tenant Allowance. After completion of the Base Building Improvements, Landlord shall deliver a set of as built plans for the Base Building Improvements to Tenant upon Landlord's receipt thereof.

Except for the Base Building Improvements to be performed by Landlord in accordance with the plans and specifications described in Exhibit B hereto, all of Tenant's initial interior improvements, fixtures, finishes, furnishings, furniture, telephones, movable equipment and signs visible from the exterior of the Building (collectively, "Tenant's Work"), shall be performed at the sole cost and expense of Tenant, PROVIDED HOWEVER, that subject to Section 3.2.1 hereof Landlord shall advance up to the amount of the Tenant Allowance if Tenant elects to have Landlord advance the Tenant Allowance. Tenant's Representative shall serve as construction manager for Tenant's Work. Tenant's performance of Tenant's Work shall be coordinated with any work being performed by Landlord in such manner as to maintain harmonious labor relations during the performance of the Base Building Improvements and not to damage the Building or Lot or interfere with Building or Lot operations. All work described in Tenant's Work shall be performed by Landlord's Contractor (if Tenant enters into a contract with Landlord's Contractor for the initial Tenant's Work) or by a contractor selected by Tenant and approved by Landlord, which approval shall not be unreasonably withheld ("Tenant's Contractor"). The performance of Tenant's Work in accordance with this Lease shall not be deemed to be a violation of the Permitted Uses of the Premises. Except as set forth in Sections 3.3 and 5.1.10 hereof and Exhibit E hereto, all Tenant's Work shall become a part of the Premises and upon termination of this Lease shall be considered to be the property of the Landlord.

3.2 PREPARATION OF PREMISES FOR PERFORMANCE OF TENANT'S WORK.

Landlord agrees to use reasonable efforts to have the Premises ready for the performance of Tenant's Work on or before the Scheduled Substantial Completion Date which shall, however, be extended for a period equal to that of (a) any delays due to Acts of God, or by labor disputes, fire, unusual delays in deliveries, unavoidable casualties or other causes beyond Landlord's reasonable control (collectively, "Force Majeure Events") and (b) any delays due to (i) any changes in the Base Building Improvements requested by Tenant, (ii) any act or neglect of Tenant, or of any employee, agent, or separate contractor of Tenant or (iii) the concurrent performance of the Base Building Improvements and Tenant's Work (collectively, "Tenant Delay"). The Premises shall be deemed ready for the performance of Tenant's Work on the Substantial Completion Date (as hereinafter defined). As used herein, the term "Substantial Completion Date" shall mean and refer to the date on which: (i) the Base Building Improvements are substantially complete as certified by Landlord's Architect and verified by Tenant's Architect, with the exception of minor items which can be fully completed by Landlord within thirty (30) days without material interference with Tenant and other items which because of the season or weather or the nature of the item are not practicable to do at the time, provided that none of said items is necessary to perform Tenant's Work (collectively "Punch List Items"), (ii) if Tenant's Work has not then commenced, a Certificate of Occupancy from the City of Cambridge (or a Temporary Certificate of Occupancy with conditions which can be satisfied without material interference with the performance of Tenant's Work) shall have been obtained, (iii) the Premises is broom clean and free of debris except to the extent, if any, resulting from Tenant's Work, and (iv) all utilities required for the use of the Premises have been brought by Landlord to the Utility Switching Points (as defined in Section 4.2.3 hereof); provided, however, that if the Substantial Completion Date does not occur on or before the Scheduled Substantial Completion Date due to any Tenant Delay then the Base Building Improvements shall be deemed to be substantially completed, and the Substantial Completion Date shall be deemed to have occurred, on the date on which the Substantial Completion Date would have occurred taking into account any Force Majeure Events but without taking into account any Tenant Delay. If Landlord's Architect has certified that the Base Building Improvements are substantially complete but Tenant's Architect does not verify the same within five (5) business days thereafter, Landlord's Architect and Tenant's Architect shall immediately select a third independent architect who shall conclusively determine whether the Base Building Improvements are substantially complete. Landlord and Tenant shall share equally the costs of such third architect. Landlord's obligations under Sections 3.1 and 3.2 shall be deemed to have been performed on the Substantial Completion Date except for Punch List Items and items which do not conform with the requirements of Sections 3.1 and 3.2 and as to which Tenant or Tenant's Architect shall have given written notice to Landlord prior to such date. If Tenant or Tenant's Architect does not provide such written notice prior to the Substantial Completion Date, a certificate of substantial completion by a licensed architect or registered engineer shall be conclusive evidence that Landlord has performed all such obligations except for Punch List Items and items stated in such certificate to be incomplete or not in conformity with such requirements.

Notwithstanding the foregoing, Tenant shall have the right to terminate this Lease upon notice given to Landlord on or before the date which is 180 days after the Scheduled Substantial Completion Date in the event that the Substantial Completion Date, as extended due to the occurrence of any Tenant Delay, has not occurred on or before the date which is 180 days after the Scheduled Substantial Completion Date, as so extended for Tenant Delay.

3.2.1. PERFORMANCE OF TENANT'S WORK.

Tenant shall not effect any Tenant's Work (or any alterations or additions to the Premises after performance of Tenant's Work) that might (i) diminish the value of the Premises for laboratory/office use, or (ii) require any unusual expense to re-adapt the Premises for any laboratory/office use.

Tenant's Work shall be performed in accordance with complete, consistent, final construction drawings and specifications ("Construction Documents") approved in advance by Landlord in writing, which approval shall not be unreasonably withheld. The Construction Documents shall be prepared and stamped by Tenant's Architect and approved by Landlord in writing. Landlord reserves the right to reject, in whole or in part, the Construction Documents which in its reasonable opinion fail to comply with the provisions of this Lease within fifteen (15) business days of its receipt thereof (the "Review Period"). The Review Period shall not commence unless and until Tenant delivers a complete set of Construction Documents. If Landlord shall disapprove the Construction Documents, it shall state specifically the reasons therefor, and Tenant shall promptly revise and resubmit the Construction Documents. If Landlord fails to respond to Tenant's request for approval of the Construction Documents within the Review Period then the Construction Documents shall be deemed approved.

Tenant shall be solely responsible for the liabilities of and expenses of all architectural and engineering services relating to Tenant's Work and for the adequacy, accuracy, and completeness of the Construction Documents approved by Landlord unless Tenant elects that Landlord advance the Tenant Allowance (and if so elected, then only to the extent of the Tenant Allowance). The Construction Documents (i) shall set forth in detail the requirements for construction of the Tenant's Work (including all architectural, mechanical, electrical and structural drawings and detailed specifications), (ii) shall be fully coordinated with one another and with field conditions as they exist in the Premises and elsewhere in the Building, and (iii) shall show all work necessary to complete the Tenant's Work including all cutting, fitting, and patching and all connections to the mechanical and electrical systems and components of the Building. Tenant agrees to hold Landlord harmless if any Tenant's Work described in the Construction Documents (a) fails to comply with all applicable laws, regulations, building codes, and building design standards, (b) in any manner affects any structural component of the Building (including, without limitation, exterior walls, exterior windows, core walls, roofs or floor slabs), (c) in any respect is incompatible with the electrical and mechanical components and systems of the Building, (d) affects the exterior of the Building, (e) fails to conform to floor loading limits, and (f) with respect to all materials, equipment and special designs, processes, or products, infringes on any

patent or other proprietary rights of others. Landlord's approval or deemed approval of the Construction Documents and the performance of Tenant's Work pursuant to the Construction Documents shall not result in any liability of Landlord, except to the extent that Tenant elects to have Landlord advance the Tenant Allowance, and Landlord's approval of Construction Documents shall signify only Landlord's consent to Tenant's Work shown thereon and shall not result in any responsibility of Landlord concerning compliance of Tenant's Work with laws, regulations, or codes, coordination of any aspect of Tenant's Work with any other aspect of Tenant's Work, or the feasibility of constructing Tenant's Work without material damage or harm to the Building, all of which shall be the sole responsibility of Tenant.

After Tenant's Contractor has been approved, then the same may thereafter be used by Tenant until Landlord notifies Tenant that Tenant's Contractor is no longer approved due to Tenant's Contractor's failure to comply in any material respect with the requirements of the Construction Documents and/or this Lease. Tenant shall procure all necessary governmental permits, licenses and approvals before undertaking any Tenant's Work. Tenant shall perform all Tenant's Work at Tenant's risk in compliance with all applicable laws, codes and regulations and in a good and workmanlike manner employing new materials of good quality. When any Tenant's Work is in progress, Tenant shall cause to be maintained (i) insurance as may be required by Landlord covering any additional hazards due to such Tenant Work, and (ii) a statutory lien bond pursuant to M.G.L. c.254, ss.12 or any successor statute (or such other protection of Landlord's interest in the Building and Lot against liens as Landlord may reasonably require), in each case for the benefit of Landlord. It shall be a condition of Landlord's approval of any Tenant's Work that certificates of such insurance and a lien bond in recordable form, both issued by responsible insurance companies qualified to do business in Massachusetts and reasonably approved by Landlord, shall have been deposited with Landlord, that Tenant has provided Tenant's certification of the insurable value of the work in question for casualty insurance purposes, and that all of the other conditions of the Lease have been satisfied. Tenant shall reimburse up to $10,000.00 for Landlord's reasonable costs of reviewing proposed Tenant's Work and inspecting installation of the same PROVIDED HOWEVER, that if Tenant elects to have Landlord advance the Tenant Allowance, such costs may be paid from the Tenant Allowance. At all times while performing Tenant's Work, Tenant shall require any Tenant's Contractor to comply with all applicable laws, regulations, permits and policies relating to such work. In performing Tenant's Work, each Tenant's Contractor shall comply with Landlord's requirements set forth in Section 3.2.1, the first paragraph of Section 3.3, Section 5.1.5 and Section 5.2.3 hereof relating to the time and methods for such work, use of delivery elevators and other Building facilities and each Tenant's Contractor shall not interfere or disrupt Landlord's Contractor. Each Tenant's Contractor shall in all events work on the Premises without causing labor disharmony, coordination difficulties, or delay or impair any guaranties, warranties or obligations of any contractors of Landlord. If any Tenant's Contractor uses any Building services or facilities, such Contractor, jointly and severally with Tenant, shall agree to reimburse Landlord for the cost thereof based on Landlord's schedule of charges established from time to time (and if no such charges have been established, then based on Landlord's reasonable charge established at the time). Each Tenant's Contractor shall, by entry into the Building, be deemed to have agreed to

indemnify and hold Landlord harmless from any claim, loss or expense arising in whole or in part out of any act or neglect committed by such person while in the Building, to the same extent as Tenant has so agreed in this Lease, the indemnities of Tenant and Tenant's Contractor to be joint and several.

Tenant shall pay on or prior to date when any such payment is due, either from its own funds or from the Tenant Allowance if Tenant elects to have Landlord advance the Tenant Allowance, the entire cost of all Tenant's Work so that the Premises shall always be free of liens for labor or materials. If any mechanic's lien (which term shall include all similar liens relating to the furnishing of labor and materials) is filed against the Premises or the Building or any part thereof which is claimed to be attributable to Tenant, its agents, employees or contractors, Tenant shall promptly discharge the same by payment or filing any necessary bond within thirty (30) days after Tenant has notice (from any source) of such mechanic's lien. Landlord may, as a condition of its approval of any Tenant's Work, require Tenant to deposit with Landlord a bond, letter of credit or other similar security in the amount of Landlord's reasonable estimate of the value of such Work securing Tenant's obligations to make payments for such Work.

Landlord shall permit Tenant and Tenant's Contractor access to the Premises prior to the Commencement Date for the performance of Tenant's Work if Tenant employs Landlord's Contractor or another contractor approved by Landlord for the performance of Tenant's Work and if the concurrent performance of the Base Building Improvements and Tenant's Work will not delay the Substantial Completion Date. Subject to the foregoing, Landlord shall cooperate with Tenant's Contractor in connection with Tenant's Work.

If Tenant elects to have Landlord advance the Tenant Allowance, Tenant shall provide Landlord with a budget and copies of all contracts entered into with respect to Tenant's Work and such other information as Landlord reasonably may request. The Tenant Allowance shall be advanced to Tenant by Landlord no more frequently than monthly against costs then incurred but unpaid by Tenant with respect to Tenant's Work. The Tenant Allowance shall be advanced to Tenant in the proportion which the Tenant Allowance bears to Tenant's budget, as the same may be updated, for Tenant's Work. Tenant shall make application to Landlord for an advance of the Tenant Allowance at least ten (10) business days prior to the date upon which an advance is to be made. Such application shall be on such form or forms as Landlord reasonably may require, and shall be accompanied by invoices, receipts, lien waivers and such other documents as Landlord reasonably may require.

3.3 GENERAL PROVISIONS APPLICABLE TO CONSTRUCTION.

All construction work required or permitted by this Lease, whether by Landlord or by Tenant, shall be done in a good and workmanlike manner and in compliance with all applicable laws and all lawful ordinances, regulations and orders of any governmental authority or insurer of the Building. Either party may inspect the work of the other at reasonable times and shall give notice of observed defects. Landlord shall not be responsible for any loss, damage, or injury

resulting from the installation of any components, fixtures, or equipment provided they were appropriately specified and installed in accordance with the manufacturer's or supplier's instructions; provided, however, that Landlord shall assign any and all contractor's, manufacturer's and supplier's warranties with respect to all components, fixtures, or equipment, including, without limitation, Landlord's Contractor's warranty, to Tenant for the Term of this Lease, upon the expiration or sooner termination of which such warranties shall automatically revert to Landlord.

After the performance of Tenant's Work, Tenant will not make any alterations or additions to the Premises without Landlord's approval, which approval shall not be unreasonably withheld or delayed provided that Landlord and Tenant shall agree in writing whether Tenant will be required to, permitted to or forbidden to, at Tenant's sole cost and expense, remove any such alteration or addition upon the expiration or termination of this Lease. Landlord's approval of any alteration or addition which is not a Minor Alteration (as defined below in this Section 3.3) shall be deemed to have been given if Landlord fails to notify Tenant of its objection thereto within fifteen (15)business days after Tenant's request for such approval. In circumstances in which Tenant desires the right to remove additions or alterations at the expiration or termination of this Lease, Landlord shall reasonably agree, and such agreement shall not be unreasonably withheld or delayed (and shall be deemed to have been given if Landlord fails to notify Tenant of its objection thereto within fifteen (15) business days after Tenant's request for such agreement), to permit such removal (i) where items installed by Tenant are in the nature of equipment, but are so affixed to Building that such items may be construed as fixtures or (ii) where additions or alterations of Tenant include specific items that after removal from the Building will have in the aggregate for each such alteration or addition a fair market value of $25,000.00 or greater. Tenant's rights to remove additions or alterations hereunder shall not apply to replacement of items included in Tenant's Work that are replaced due to the fact that such items have worn out or become substantially obsolete. In the event the Tenant is required to or permitted to remove any such alteration or addition, as a condition to Landlord's approval of such alteration or addition, Tenant shall agree in writing to readapt, repair and restore the Premises to the condition the same were in prior to such alteration or addition. After the performance of Tenant's Work, all changes and additions shall be part of the Building except such items as by writing at the time of approval the parties agree either shall be removed by Tenant on termination of this Lease, or shall be removed or left at Tenant's election.

During the Term hereof and the term of the Phase I Lease (as hereinafter defined), Tenant, as part of Tenant's Work or as an alteration or addition to the Premises after the performance of Tenant's Work, shall have the right to make interconnections between the Building and the Phase I Building, including installation of a covered walkway, electrical connections, utility connections and the like (collectively "Interconnections"). Each Interconnection proposed by Tenant shall require Landlord's prior written consent, which consent shall not be unreasonably withheld and shall otherwise be subject to the terms of this Lease, including the preceding paragraph hereof, except that the original installation of any Interconnection shall not be considered a Minor Alteration (as hereinafter defined). Landlord's consent to any Interconnection pursuant to the

terms of this Lease shall also constitute Landlord's consent thereto pursuant to the Phase I Lease so long as Landlord is the landlord pursuant to the Phase I Lease. Landlord and Tenant agree that Landlord may (and prior to the Subdivision (as defined in Section 9.1.6) Landlord shall) establish an area or areas to be shown on the Plan (as defined in Section 9.1.6 hereof) within which Interconnections may be made, and that except for the covered walkway and Interconnections therein, Landlord may require subsurface installation of Interconnections.

Notwithstanding the foregoing, the parties hereby agree that for any non-structural alterations or additions to the Premises which do not involve modifications to the Building operating systems and for which the cost may be reasonably estimated to be less than $50,000 and which is not the original installation of an Interconnection (each a "Minor Alteration"): (i) Landlord's prior written consent shall not be required unless such Minor Alteration requires a building permit from the City of Cambridge, in which case Landlord's reasonable consent shall be required, provided that such consent shall be deemed to have been given if Landlord fails to notify Tenant of its objection to such Minor Alteration within 2 days after Tenant's request for Landlord's consent with respect thereto, and (ii) upon the expiration or termination of this Lease, Tenant shall readapt, repair and restore the Premises to the condition the same were in prior to such Minor Alteration, regardless of whether Landlord's consent was required or obtained with respect thereto. Additionally, Tenant shall give prior written notice to Landlord of any Minor Alteration for which the cost may be reasonably estimated to be less than $50,000 but greater than $25,000 and regardless of whether Landlord's consent is required.

The parties further agree that after the performance of Tenant's Work (a) any request for consent to any alteration or addition (including, without limitation, any Minor Alteration and any Interconnection) shall be accompanied by drawings and specifications in reasonable detail given the size and scope of the proposed alteration or addition, and (b) Tenant shall furnish Landlord as-built drawings showing any and all alterations or additions (including, without limitation, any and all Minor Alterations and Interconnections) made by Tenant or any assignee, sublessee or licensee of Tenant within 30 days after completion of the same.

3.4 REPRESENTATIVES.

Each party authorizes the other to rely in connection with their respective rights and obligations under this Article III upon approval and other actions on the party's behalf by Landlord's Representative in the case of Landlord and Tenant's Representative in the case of Tenant or by any person hereafter designated in substitution or addition by notice to the party relying.

3.5 CORRECTION OF LANDLORD'S WORK.

If within one year after the Substantial Completion Date (i) any item of Base Building Improvements does not conform with the plans and specifications described in Exhibit B or (ii) there is any defect in the Base Building Improvements caused by faulty workmanship performed on behalf of Landlord or materials installed on behalf of Landlord, Landlord, upon written notice

thereof from Tenant prior to the expiration of such one-year period, shall forthwith cause the contractor(s) who or which performed such work to correct such nonconformity or defect without cost or expense to Tenant. Nothing set forth in this Section shall affect or impair any warranties specified in Section 3.3 hereof or any right of Tenant to pursue any action, right or remedy otherwise available to Tenant due to a breach by Landlord of its obligations pursuant to this Lease.

ARTICLE IV

RENT

4.1 FIXED RENT.

(a) MONTHLY INSTALLMENTS; DEFINITIONS. COMMENCING ON THE RENT COMMENCEMENT DATE, Tenant covenants and agrees to pay rent to Landlord, without any offset or reduction whatsoever (except as may be made in accordance with the express provisions of this Lease), at the Original Address of Landlord or at such other place or to such other person or entity as Landlord may by notice to Tenant from time to time direct, at the Annual Fixed Rent Rate set forth in Article I, in equal installments equal to 1/12th of the Annual Fixed Rent Rate in advance on the first day of each calendar month included in the Term; 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.

(b) ADJUSTMENT FOR CPI. On the fifth anniversary of the Rent Commencement Date , on the tenth anniversary of the Rent Commencement Date (if Tenant elects to have Landlord advance the Tenant Allowance), and on the fifth anniversary of the commencement of each Extension Period (as such term is defined in Section 10.12 hereof) (each an "Adjustment Date") the 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 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 then prior five (5) years of the 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 (a) the Commencement Date or (b) with respect to any Extension Period, the commencement date of such Extension Period, as applicable. In the event the Price Index (or a successor or substitute index) shall not be published for the City of Boston, 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 event 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.

4.2 ADDITIONAL RENT.

In order that the Fixed Rent shall be absolutely net to Landlord, commencing on the Commencement Date, Tenant covenants and agrees to pay, as Additional Rent, without any offset or reduction whatsoever, taxes, municipal or state betterment assessments, insurance costs, utility charges and Annual Maintenance Charges with respect to the Premises as provided in this Section 4.2 as follows:

As used herein, the term "Estimated Annual Additional Rent" shall mean and refer to Landlord's estimate of the total amount of Additional Rent which may be due from Tenant for any particular Lease Year. Landlord shall furnish Tenant with a statement within sixty (60) days after the commencement of each Lease Year setting forth the amount of Landlord's Estimated Annual Additional Rent for such Lease Year. Landlord's good faith estimate of the Estimated Annual Additional Rent for the first fiscal year of the Term is set forth in Section 1.1 as the "Initial Estimated Annual Additional Rent".

4.2.1 REAL ESTATE TAXES. Tenant shall pay directly to the Landlord: (i) all taxes, assessments (special or otherwise), levies, fees, water and sewer rents and charges, and all other government levies and charges, general and special, ordinary and extraordinary, foreseen and unforeseen (and Tenant's Proportionate Fraction of any such taxes, assessments, levies, fees and charges if they are assessed against the entire Building or Lot), which are, at any time prior to or during the Term hereof, imposed or levied upon or assessed against (A) the Premises or the Building or the Lot, (B) any Fixed Rent, Additional Rent or other sum payable hereunder or (C) this Lease, or the leasehold estate hereby created, or which arise in respect of the operation, possession or use of the Premises or the Building or the Lot; (ii) all gross receipts or similar taxes imposed or levied upon, assessed against or measured by any Fixed Rent, Additional Rent or other sum payable hereunder; (iii) all sales, value added, use and similar taxes at any time levied, assessed or payable on account of the acquisition, leasing or use of the Premises (and Tenant's Proportionate Fraction of any such taxes if they are levied, assessed or payable on account of the acquisition, leasing or use of the entire Building or Lot); and (iv) all charges for utilities furnished to the Premises (and Tenant's Proportionate Fraction of all charges for utilities furnished to the entire Building or Lot) which may become a lien on the Building or the Lot or the Premises (collectively "taxes and assessments" or if singular "tax or assessment"). For each tax or assessment period, or installment period thereof, wholly included in the Term, all such payments shall be made by Tenant not less than five (5) days prior to the last date on which the same may be paid without interest or penalty. For any fraction of a tax or assessment period, or installment period thereof, included in the Term at the beginning or end thereof, Tenant shall pay to Landlord, within 20 days after receipt of invoice therefor, the fraction of taxes and assessments so levied or assessed or becoming payable which is allocable to such included period. At Landlord's option, Tenant shall pay taxes and assessments in accordance with Section 4.2.5

hereof. Anything herein to the contrary notwithstanding, if and to the extent that the Lot is not a separately assessed parcel, Landlord shall make a fair and reasonable allocation of any taxes and assessments between the Lot and the remaining parcel of land of which the Lot is a part.

In the event that Tenant requests that Landlord apply for any abatement of, or otherwise contest, any tax or assessment, Landlord shall file such abatement or otherwise contest such tax or assessment and shall diligently pursue the same to completion, provided that (i) Landlord receives notice of such request from Tenant be made under applicable law, and (ii) the expenses of such proceedings, including, without limitation, any penalties, interest, late fees or charges, and attorneys' fees incurred as a result thereof, shall be included in the Annual Maintenance Charge of the then current fiscal year.

Nothing contained in this Lease shall, however, require Tenant to pay any income taxes, excess profits taxes, excise taxes, franchise taxes ("Excluded Taxes"), estate, succession, inheritance or transfer taxes, provided, however, that if at any time during the Term the present system of ad valorem taxation of real property shall be changed so that in lieu of the whole or any part of the ad valorem tax on real property, there shall be assessed on Landlord a capital levy or other tax on the gross rents received with respect to the Building or the Lot, or all of them, or a federal, state, county, municipal, or other local income, franchise, excise or similar tax, assessment, levy or charge (distinct from any now in effect) measured by or based, whole or in part, upon gross rents, then any and all of such taxes, assessments, levies or charges, to the extent so measured or based ("Substitute Taxes"), shall be payable by Tenant; provided, however, that (i) Tenant's obligation with respect to the aforesaid Substitute Taxes shall be limited to the amount thereof as computed at the rates that would be payable if the Premises were the only property of Landlord, and (ii) only that portion of the Substitute Taxes in excess of the Excluded Taxes shall be payable by Tenant. Landlord shall furnish to Tenant a copy of any notice of any public, special or betterment assessment received by Landlord concerning the Premises.

4.2.2 INSURANCE.

4.2.2.1. INSURANCE TAKEN OUT BY TENANT.

Tenant shall take out and maintain throughout the Term the following insurance:

(a) Comprehensive liability insurance indemnifying Landlord and Tenant against all claims and demands for (i) injury to or death of any person or damage to or loss of property, on the Premises or adjoining walks, streets or ways, or connected with the use, condition or occupancy of any thereof unless caused by the negligence of Landlord or its servants or agents, (ii) violation of this Lease, or (iii) any act, fault or omission, or other misconduct of Tenant or its agents, contractors, licensees, sublessees or invitees, in amounts which shall, at the beginning of the Term, be at least equal to the limits set forth in Section 1.1, and, from time to time during the Term, shall be for such higher limits, if any, as are customarily carried in the area

in which the Premises are located on property similar to the Premises and used for similar purposes; and shall be written on the "Occurrence Basis" and include Host Liquor liability insurance; and

(b) Worker's compensation insurance with statutory limits covering all of the Tenant's employees working on the Premises.

4.2.2.2 INSURANCE TAKEN OUT BY LANDLORD.

Landlord shall take out and maintain throughout the Term the following insurance:

(a) Comprehensive liability insurance for the Building and Lot of the same nature and type as described in Section 4.2.2.1(a) of this Lease, and with the same policy limits; and

(b) All risk, fire and casualty insurance on a 100% replacement cost basis, together with rental loss coverage and, if the Building is located in a flood zone, flood coverage to the extent the same is available, insuring the Building and its rental value; and

(c) Insurance against loss or damage from sprinklers and from leakage or explosions or cracking of boilers, pipes carrying steam or water, or both, pressure vessels or similar apparatus, in the so-called "broad form", in such amounts as are customary and commercially reasonable for buildings in the Cambridge, Massachusetts area which are of like kind and quality to the Building and have laboratory uses, and insurance against such other hazards and in such amounts as may from time to time be required by any bank, insurance company or other lending institution holding a first mortgage on the Building and Lot.

Landlord shall have no obligation to insure Tenant's personal property or chattels, including without limitation, Tenant's trade fixtures.

4.2.2.3 TENANT REIMBURSEMENT OF INSURANCE TAKEN OUT BY LANDLORD.

Tenant shall from time to time reimburse Landlord within thirty days of Landlord's invoice for Tenant's Proportionate Fraction of Landlord's costs incurred in providing the insurance provided pursuant to Section 4.2.2.2 of this Lease, equitably prorated in the case of blanket policies to reflect the insurance coverage reasonably attributable to the Premises, and provided further that Tenant shall reimburse Landlord for all of Landlord's costs incurred in providing such insurance which is attributable to any special endorsement or increase in premium resulting from the business or operations of Tenant, and any special or extraordinary risks or hazards resulting therefrom, including without limitation, any risks or hazards associated with the generation, storage and disposal of medical waste. At Landlord's option, Tenant shall reimburse Landlord for insurance costs in accordance with Section 4.2.5 hereof.

4.2.2.4 CERTAIN REQUIREMENTS APPLICABLE TO INSURANCE POLICIES.

Policies for insurance provided for under the provisions of Sections 4.2.2.2(b) and 4.2.2.2(c) shall, in case of loss, be first payable to the holders of any mortgages on the Building and Lot under a standard mortgagee's clause, and shall be deposited with the holder of any mortgage or with Landlord, as Landlord may elect. All policies for insurance required to be obtained by either party under the provisions of Section 4.2.2 shall be obtained from responsible companies qualified to do business in the state in which the Premises are located and in good standing therein, which companies and the amount of insurance allocated thereto shall be subject to Landlord's approval. Each party agrees to furnish the other with certificates of all such insurance which such party is obligated to obtain pursuant to Section 4.2.2 prior to the beginning of the Term hereof and with renewal certificates at least 30 days prior to the expiration of the policy they renew. In addition, Tenant agrees to furnish Landlord with any policies of insurance which Tenant is obligated to obtain hereunder, including any renewal policies, upon request of any of Landlord's mortgagees (provided that Tenant may redact from such policies any Confidential Information, as defined in Section 10.15 hereof). Each such policy required to be maintained by Tenant shall name Landlord and Landlord's Managing Agent as additional insureds and shall be noncancellable with respect to the interest of Landlord, Landlord's Managing Agent and such mortgagees without at least 30 days' prior written notice thereto.

4.2.2.5 WAIVER OF SUBROGATION.

All insurance which is carried by either party with respect to the Premises or to furniture, furnishings, fixtures or equipment therein or alterations or improvements thereto, whether or not required, shall include provisions which either designate the other party as one of the insured or deny to the insurer acquisition by subrogation of rights of recovery against the other party to the extent such rights have been waived by the insured party prior to occurrence of loss or injury, insofar as, and to the extent that such provisions may be effective without making it impossible to obtain insurance coverage from responsible companies qualified to do business in the state in which the Premises are located (even though extra premium may result therefrom) and without voiding the insurance coverage in force between the insurer and the insured party. In the event that extra premium is payable by either party as a result of this provision, the other party shall reimburse the party paying such premium the amount of such extra premium. If at the request of one party, this non-subrogation provision is waived, then the obligation of reimbursement shall cease for such period of time as such waiver shall be effective, but nothing contained in this Section 4.2.2.5 shall derogate from or otherwise affect releases elsewhere herein contained of either party for claims. Each party hereby waives all rights of recovery against the other for loss or injury against which the waiving party is protected by insurance containing said provisions, reserving, however, any rights with respect to any excess of loss or injury over the amount recovered by such insurance. Tenant shall not acquire as insured under any insurance carried on the Premises under the provisions of this Section 4.2.2 any right to participate in the adjustment of loss or to receive insurance proceeds and agrees upon

request promptly to endorse and deliver to Landlord any checks or other instruments in payment of loss in which Tenant is named as payee.

4.2.3 UTILITIES.

Tenant shall pay directly to the proper authorities charged with the collection thereof all charges for water, sewer, gas, electricity, telephone and other utilities or services used or consumed on the Premises, whether called charge, tax, assessment, fee or otherwise, including, without limitation, water and sewer use charges and taxes, if any, all such charges to be paid as the same from time to time become due. If Tenant is not charged directly by the respective utility for any of such utilities or services, Tenant shall from time to time, within 20 days of receipt of Landlord's invoice therefor, pay to Landlord Tenant's Proportionate Fraction of the total of such charges for the Building and Lot provided that, at Landlord's option, all such charges shall be payable by Tenant in accordance with Section 4.2.5. It is understood and agreed that (i) Landlord shall be responsible for bringing such utilities to a common switching point(s) at the Building, which, in the case of electricity shall mean the switch gear and not the transformer (collectively, the "Utility Switching Points") as shown on plans described in Exhibit B at Landlord's cost and expense; (ii) Tenant shall pay for any and all costs to connect such utilities from such Utility Switching Points to the Building; (iii) Landlord shall be under no obligation to furnish any utilities to the Premises (beyond the foregoing responsibility to bring such utilities to the Utility Switching Points and as may be shown on the plans described in Exhibit B); and (iv) subject to Section 3.2 hereof, Landlord shall not be liable for any interruption or failure in the supply of any such utilities to the Premises; provided, however, that in the event such loss or failure is due to Landlord's negligence or willful misconduct, Landlord shall be responsible for restoring the supply of such utilities to the Premises but otherwise shall have no liability to Tenant. Without limitation of the foregoing, in the event of a Casualty or Taking, if Landlord and Tenant reasonably determine and agree that utilities will not be repaired or restored so as to be available at the Utility Switching Points within one year after the occurrence of such Casualty or Taking, then Tenant shall have the right to terminate this Lease by notice given within 30 days after the date of such determination.

4.2.4 COMMON AREA MAINTENANCE AND EXPENSES.

Landlord shall maintain the Lot and the exterior of the Building in a clean and orderly condition including without limitation, keeping the Lot and exterior of the Building clean and free of debris, keeping the sidewalks, driveways and parking areas reasonably clear of snow and ice, and maintaining the exterior landscaping, lighting, parking areas and sidewalks of the Lot. Tenant shall maintain the interior of the Building, including the mechanical, electrical and plumbing systems of the Building in good order, repair and condition (provided that if Tenant shall fail to effect such repairs or maintenance, at Landlord's option, Landlord may effect such repairs or maintenance and charge the entire cost thereof to Tenant as Additional Rent). Notwithstanding the foregoing, it is expressly understood and agreed that Landlord shall have no liability or responsibility for the storage, containment or disposal of any hazardous or medical

waste generated, stored or contained by Tenant, Tenant hereby agreeing to store, contain and dispose of any and all such hazardous or medical waste at Tenant's sole cost and expense in accordance with the provisions of Article V hereof. Tenant shall pay to Landlord as Additional Rent the Annual Maintenance Charge computed and payable as follows:

(1) The Annual Maintenance Charge shall be equal to the sum of the Annual Lot Maintenance Charge and the Annual Building Maintenance and Operation Charge as hereinafter defined.

(a) The Annual Lot Maintenance Charge shall be equal to the costs incurred by Landlord during the fiscal year (as hereinafter defined) for which the Annual Maintenance Charge is being computed (the "Current Fiscal Year") in providing Lot maintenance, including without limitation landscaping, street lighting, security (if required, in Landlord's judgment), maintenance and snow plowing, maintenance of Lot signage, maintenance of utilities, management fees and amortization of equipment to the extent used for Lot maintenance.

(b) The Annual Building Maintenance and Operation Charge shall be equal to Tenant's Proportionate Fraction of the reasonable costs incurred by Landlord during the Current Fiscal Year in providing Building maintenance, including without limitation maintenance and repair of all heating, plumbing, electrical, air conditioning and mechanical fixtures and equipment serving the Building or the Premises), elevators, trash dumpster rental, trash removal, remediation, performance of such other tasks as Tenant shall request and Landlord shall agree to perform, management fees (exclusive of leasing and sale commissions, fees paid in connection with tenant improvement costs, and such other fees or commissions paid in connection with the leasing, re-leasing, extension or renewal of leases for the Building or the Lot) and amortization of equipment to the extent used for Building maintenance.

Notwithstanding the foregoing, management fees included in the Annual Maintenance Charge shall not exceed those customarily charged for single tenant buildings within a three-mile radius of the Lot which are used for purposes similar to the use of the Building by Tenant and in the event that any capital repair, improvement or replacement to the common areas and facilities of the Building and the Lot made by Landlord has a useful life of over one year (as determined in accordance with generally accepted accounting practices consistently applied), then only the amortized cost of such repair, improvement or replacement over said useful life shall be included in the Annual Lot Maintenance Charge or the Annual Building Maintenance Charge, as applicable.

Tenant shall make payments on account of the Annual Maintenance Charge monthly in advance on the first day of each calendar month during the Term. At the beginning of every fiscal year, Landlord shall deliver to Tenant its reasonable estimate of the Annual Maintenance Charge

(the "Estimated Annual Maintenance Charge") for the said fiscal year which estimate may include a reasonable contingency of up to 5%, and Tenant shall make payments on account of the Annual Maintenance Charge monthly in advance on the first day of each calendar month during the Term in the amount of one-twelfth of the Estimated Annual Maintenance Charge. Landlord reserves the right to reasonably re-estimate and modify the Estimated Annual Maintenance Charge by notice to Tenant once annually on or about July 1 of each Lease Year (the "Additional Rent Adjustment Date"), and Tenant's payments shall thereupon be adjusted accordingly. Not later than sixty (60) days after the end of each fiscal year during the Term and after Lease termination, Landlord shall render a statement ("Landlord's Statement") in reasonable detail and according to usual accounting practices certified by Landlord and showing for the preceding fiscal year or fraction thereof, as the case may be, the actual Annual Maintenance Charges for the said fiscal year or fraction thereof, and thereupon any balance owed by Tenant or excess paid by Tenant under this Section shall be paid to Landlord, or credited to Tenant, as the case may be, on the next rent payment date. Landlord shall furnish Tenant with copies of all reasonable documentation and records for the Annual Maintenance Charges for any fiscal year upon Tenant's request for the same; provided, however, that Landlord shall not be required to furnish such copies for any fiscal year if Tenant has not requested such copies within two (2) years after the expiration of such fiscal year.

For purposes of this Lease, the first "fiscal year" shall be the annual period commencing on the Commencement Date and ending on December 31 of the year in which the Commencement Date occurs; subsequently, the term "fiscal year,, shall mean each consecutive annual period thereafter, commencing on the day following the end of the preceding fiscal year. Landlord shall have the right from time to time to change the periods of accounting under this Section 4.2.4 to any annual period other than a fiscal year, and upon any such change all items referred to in this Section shall be appropriately apportioned. In all Landlord's Statements rendered under this Section, amounts for periods partially within and partially without the accounting periods shall be appropriately apportioned, and any items which are not determinable at the time of a Landlord's Statement shall be included therein on the basis of Landlord's estimate, and with respect thereto Landlord shall render promptly after determination a supplemental Landlord's Statement, and appropriate adjustment shall be made according thereto. All of Landlord's Statements shall be prepared on an accrual basis of accounting.

Notwithstanding any other provision of this Section 4.2.4, if the Term expires or is terminated as of a date other than the last day of a fiscal year, then for such fraction of a fiscal year at the end of the Term, Tenant's last payment to Landlord under this Section 4.2.4 shall be made on the basis of Landlord's best estimate of the items otherwise includable in Landlord's Statement and shall be made on or before the later of (a) 10 days after Landlord delivers such estimate to Tenant or (b) the last day of the Term. Landlord shall thereafter prepare a Landlord's Statement showing the actual Annual Maintenance Charge for such fiscal year, as hereinabove provided, and an appropriate payment or refund shall thereafter promptly be made upon submission of such Landlord's Statement to Tenant.

Notwithstanding the foregoing, Landlord hereby agrees that HVAC service and all other utilities shall be available to Tenant 24 hours per day, seven (7) days per week, subject to the provisions hereof with respect to loss or interruption of utilities and other services.

4.2.5 PAYMENTS ON ACCOUNT OF TAXES, INSURANCE AND UTILITIES.

Tenant shall make payments on account of the Annual Tax, Insurance and Utility Charge (as hereinafter defined) monthly in advance on the first day of each calendar month during the Term, which payments shall initially be in the amount of the sum of the Initial Tax Charge, the Initial Insurance Charge and the Initial Utility Charge (the "Estimated Initial Tax, Insurance and Utility Charges"). At the beginning of every fiscal year, Landlord shall deliver to Tenant its reasonable estimate of the Annual Tax, Insurance and Utility Charge ("the Estimated Annual Tax, Insurance and Utility Charge") for said fiscal year, and, in lieu of payments of one twelfth of the Estimated Initial Tax, Insurance and Utility Charge, Tenant shall make payments on account of the Annual Tax, Insurance and Utility Charge monthly in advance on the first day of each calendar month during the Term in the amount of one-twelfth of the Estimated Annual Tax, Insurance and Utility Charge. Landlord reserves the right to reasonably re-estimate and modify the Estimated Annual Tax, Insurance and Utility Charge by notice to Tenant once annually on the Additional Rent Adjustment Date (as defined in Section 4.2.4 hereof), and Tenant's payments shall thereupon be adjusted accordingly.

Not later than sixty (60) days after the end of each fiscal year during the Term and after Lease termination, Landlord shall render a statement in reasonable detail and according to usual accounting practices certified by Landlord and showing for the preceding fiscal year or fraction thereof, as the case may be, the actual Annual Tax, Insurance and Utility Charge for the said fiscal year or fraction thereof, and thereupon any balance owed by Tenant or excess paid by Tenant under this Section shall be paid to Landlord, or credited to Tenant, as the case may be, on the next rent payment date. As used herein, the term "Annual Tax, Insurance and Utility Charge" shall mean and refer to the amount of funds paid by Tenant pursuant to Section 4.2.1, 4.2.2 and 4.2.3 for the fiscal year in question for costs actually incurred by Landlord (without any mark-up for Landlord's overhead or profit). All payments under this Section shall to the extent thereof relieve Tenant of its obligations under said Sections 4.2.1, 4.2.2 and 4.2.3 hereof. Notwithstanding any other provision hereof to the contrary, the Annual Tax, Insurance and Utility Charge and the Annual Maintenance Charge payable by Tenant pursuant to this Lease shall not include any amount payable by Tenant pursuant to a lease, as amended, by and between David M. Roby and David E. Clem, Trustees of Fort Washington Realty Trust, as landlord, and Tenant, as tenant, for premises known as and numbered 130 Waverly Street and/or 40 Erie Street, Cambridge, Massachusetts (the "Phase I Lease"), PROVIDED HOWEVER, that Landlord may equitably allocate real estate taxes until the Lot is separately assessed.

Landlord shall have the right from time to time to change the periods of accounting under this Section 4.2.5 to any annual period other than a fiscal year, and upon any such change all items referred to in this Section shall be appropriately apportioned. In all Landlord's annual

statements rendered under this Section, amounts for periods partially within and partially without the accounting periods shall be appropriately apportioned, and any items which are not determinable at the time of such a statement shall be included therein on the basis of Landlord's estimate, and with respect thereto Landlord shall render promptly after determination a supplemental statement, and an appropriate adjustment shall be made according thereto. All of landlord's statements under this Section shall be prepared on an accrual basis of accounting.

Notwithstanding any other provision of this Section 4.2.5, if the Term expires or is terminated as of a date other than the last day of a fiscal year, then for such fraction of a fiscal year at the end of the Term, Tenant's last payment to Landlord under this Section 4.2.5 shall be made on the basis of Landlord's best estimate of the items otherwise includable in the annual statement rendered by Landlord under this Section and shall be made on or before the later of (a) 10 days after Landlord delivers such estimate to Tenant or (b) the last day of the Term, with an appropriate payment or refund to be made upon submission of Landlord's statement.

4.3 LATE PAYMENT OF RENT.

If any installment of rent is paid after the date the same was due, it shall bear interest from the due date at the prime commercial rate of BankBoston, N.A. or its successor(s), as it may be adjusted from time to time, plus 4% per annum, but in no event more than the highest rate of interest allowed by applicable law. Any amounts due under this Section 4.3 shall be Additional Rent. The foregoing provisions of this Section 4.3 shall not apply to the first two installments of rent paid after the date the same were due during each twelve consecutive month period during the Term.

ARTICLE V

TENANT'S ADDITIONAL COVENANTS

5.1 AFFIRMATIVE COVENANTS.

Tenant covenants at its expense at all times during the Term and for such further time as Tenant occupies the Premises or any part thereof:

5.1.1 PERFORM OBLIGATIONS.

To perform promptly all of the obligations of Tenant set forth in this Lease; and to pay when due the Fixed Rent and Additional Rent and all charges, rates and other sums which by the terms of this Lease are to be paid by Tenant.

5.1.2 OCCUPANCY AND USE.

Continuously from the Commencement Date, to use and occupy the Premises only for the Permitted Uses, and from time to time to procure all licenses and permits necessary therefor at Tenant's sole expense.

Without limitation, Tenant shall strictly comply with all federal, state, and municipal laws, ordinances, and regulations governing the use of Tenant's laboratory, scientific experimentation and the generation, storage, containment and disposal of medical waste. Tenant shall be solely responsible for procuring and complying at all times with any and all necessary permits directly relating or incident to: the conduct of its office and research activities on the Premises; its scientific experimentation, transportation, storage, handling, use and disposal of any chemical or radioactive or bacteriological or pathological substances or organisms or other hazardous wastes or environmentally dangerous substances or materials or medical waste. Within ten (10) days of a request by Landlord, which request shall be made not more than once during each period of twelve (12) consecutive months during the Term hereof, unless otherwise requested by any mortgagee of Landlord, Tenant shall furnish Landlord with copies of all such permits which Tenant possesses or has obtained together with a certificate certifying that such permits are all of the permits which Tenant possesses or has obtained with respect to the Premises. Tenant shall be entitled to redact any Confidential Information from the copies of such permits and accompanying certificates of Tenant. Tenant shall promptly give notice to Landlord of any warnings or violations relative to the above received from any federal, state, or municipal agency or by any court of law and shall promptly cure the conditions causing any such violations. Tenant shall not be deemed to be in default of its obligations under the preceding sentence to promptly cure any condition causing any such violation in the event that, in lieu of such cure, Tenant shall contest the validity of such violation by appellate or other proceedings permitted under applicable law, provided that: (i) any such contest is made reasonably and in good faith, (ii) Tenant makes provisions, including, without limitation, posting bond(s) or giving other security, acceptable to Landlord to protect Landlord, the Building and the Lot from any liability, costs, damages or expenses arising in connection with such violation and failure to cure, (iii) Tenant shall agree to indemnify, defend (with counsel reasonably acceptable to Landlord) and hold Landlord harmless from and against any and all liability, costs, damages, or expenses arising in connection with such condition and/or violation, (iv) Tenant shall promptly cure any violation in the event that its appeal of such violation is overruled or rejected, and (v) Tenant shall certify to Landlord's satisfaction that Tenant's decision to delay such cure shall not result in any actual or threatened bodily injury or property damage to Landlord, any tenant or occupant of the Building or the Lot, or any other person or entity. Landlord agrees that any Confidential Information gained or obtained by Landlord pursuant to this Section 5.1.2 shall be kept confidential in accordance with Section 10.15 hereof.

5.1.3 REPAIR AND MAINTENANCE.

Except as otherwise provided in Article VI, to keep the Premises including, without limitation, all fixtures and equipment now or hereafter on the Premises, or exclusively serving the Premises, but excluding the exterior (exclusive of glass and doors) and structural

elements of the Building and the grounds and parking lot, which Landlord shall maintain and repair unless such repairs are required because of Tenant's willful misconduct or negligence, in good order, condition and repair and at least as good order, condition and repair as they are in on the Commencement Date or may be put in during the Term, reasonable use and wear only excepted; to keep in a safe, secure and sanitary condition all trash and rubbish temporarily stored at the Premises; and to make all repairs and replacements and to do all other work necessary for the foregoing purposes whether the same may be ordinary or extraordinary, foreseen or unforeseen. Tenant shall be responsible for heating and air-conditioning systems serving the Premises to the extent that such systems are not a part of Base Building Improvements, and Tenant shall secure, pay for and keep in force contracts with appropriate and reputable service companies providing for the regular maintenance of the heating and air-conditioning systems serving the Premises to the extent that such systems are not a part of Base Building Improvements, and copies of such contracts shall be furnished to Landlord. It is further agreed that the exception of reasonable use and wear shall not apply so as to permit Tenant to keep the Premises in anything less than suitable, tenantlike, and efficient and usable condition considering the nature of the Premises and the use reasonably made thereof, or in less than good and tenantlike repair.

5.1.4 COMPLIANCE WITH LAW.

To make all repairs, alterations, additions or replacements to the Premises required by any law or ordinance or any order or regulation of any public authority other than major capital repairs, alterations, additions or replacements to the foundations and structural elements of the Building which are not required because of Tenant's failure to comply with the provisions of Section 5.1.3 hereof; to keep the Premises equipped with all safety appliances so required; to pay all municipal, county, or state taxes assessed against the leasehold interest hereunder, or against personal property of any kind on or about the Premises; and to comply with the orders and regulations of all governmental authorities with respect to zoning, building, fire, health and other codes, regulations, ordinances or laws applicable to the Premises.

Tenant shall not use, generate, manufacture, produce, handle, store, release, discharge or dispose of in, on, under or about the Premises or transport to or from the Premises, or allow its employees, agents, contractors, invitees or any other person or entity to do so, any oil, hazardous or toxic materials or hazardous or toxic wastes or medical waste (collectively, "hazardous materials") except to the extent that the following conditions regarding the use, generation, manufacture, production, handling, storing, releasing, discharging, disposal or transport (individually or collectively, the "Use") of hazardous materials shall be satisfied: (i) the Use shall be directly related to the operation of Tenant's business as permitted herein, (ii) Tenant shall first provide Landlord with the list of the types and quantities of such proposed hazardous materials which Tenant is required to furnish to the applicable governmental authorities for purposes of compliance with the Resource Conservation and Recovery Act, as amended (42 U.S.C. ss. 9601, ET Seq.) (the "RCRA List") (or, in the event that the RCRA List ceases to be required to be filed under such law, a list containing the same information required to

be listed on the RCRA List as of the date hereof), and shall update such list as necessary for continuing accuracy, and such other information reasonably satisfactory to Landlord as Landlord may reasonably require concerning such Use, and (iii) such Use shall be in strict compliance (at Tenant's expense) with all applicable laws, regulations, licenses and permits. Landlord hereby covenants and agrees that the information contained in any list, or update thereof, referred to in the foregoing clause (ii) shall be kept confidential in accordance with Section 10.15 hereof. Notwithstanding the foregoing, Tenant hereby agrees to consult and coordinate with Landlord prior to transporting any hazardous materials to or from the Premises whenever (i) such transportation is not of the kind regularly made during the ordinary course of business by a person or entity operating a laboratory facility for the Permitted Uses or (ii) Tenant has reason to believe that such transportation may result in a public demonstration, protest or other similar disturbance at the Building or the Lot. If the transportation, generation, manufacture, production, handling, release, storage, use or disposal of any hazardous materials anywhere on the Premises in connection with the Tenant's use of the Premises results in (1) contamination of the soil, surface or ground water or (2) loss or damage to person(s) or property, then Tenant agrees to respond in accordance with the following paragraph:

> Tenant agrees (i) to notify Landlord immediately of any contamination, claim of contamination, loss or damage, (ii) after consultation and approval by Landlord, to clean up the contamination in full compliance with all applicable statutes, regulations and standards, and (iii) to indemnify, defend (with counsel acceptable to Landlord) and hold Landlord harmless from and against any claims, suits, causes of action, costs and fees, including attorneys' fees, arising from or connected with any such contamination, claim of contamination, loss or damage. No consent or approval of Landlord shall in any way be construed as imposing upon Landlord any liability for the means, methods, or manner of removal, containment or other compliance with applicable law for and with respect to the foregoing.

Tenant shall promptly notify Landlord upon Tenant's receipt of any inquiry, notice, or threat to give notice by any government authority or any other third party with respect to any hazardous materials. Notwithstanding the foregoing, Tenant shall not be liable to Landlord hereunder for any contamination, claim of contamination, loss or damage arising in connection with hazardous materials to the extent the same is the result of (A) hazardous materials existing in the Building and the Lot prior to Tenant's use or occupancy of the Premises, (B) migration of hazardous materials from any site onto the Lot not caused by Tenant, (C) the generation, manufacture, production, handling, release, storage, use or disposal of any hazardous materials at the Building or the Lot by Landlord, any other tenant or occupant, or any so-called "mid-night dumpers" or (D) the Use (as defined above in this Section) by any party other than Tenant of hazardous materials at the Building or the Lot after the date upon which Tenant has completely vacated the same, including removal of all of its property (to the extent permitted

herein) and hazardous materials. Tenant's indemnification obligations under this Section shall survive the expiration or earlier termination of this Lease.

Prior to vacating the Premises at the expiration of the Term hereof, Tenant at its sole cost and expense shall provide Landlord with an environmental audit by a qualified environmental engineering firm satisfactory to Landlord, which audit shall include reasonable subsurface testing if requested by Landlord. The aforesaid environmental audit shall affirmatively certify that the Premises are free from any and all contaminants, pollutants, radioactive materials, hazardous wastes or materials, medical waste, bacteriological agents or organisms which would render the Premises in violation of M.G.L. c. 21E, the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, 42 U.S.C. Section 9602 ET SEQ., or any other applicable laws, rules, regulations or orders, as they may be amended or supplemented by administrative regulations, from time to time.

Nothing herein contained shall be construed to limit or impair Tenant's obligation to comply with any law, code, rule or regulation which requires Tenant to notify any governmental authority or any other person concerning the Use (as defined above in this Section) of hazardous materials by Tenant at the Premises.

Tenant agrees that, with respect to the Premises, it shall be responsible for compliance with the Americans with Disabilities Act (42 U.S.C. ss. 12101 ET Seq.) and the regulations and Accessibility Guidelines for Buildings and Facilities issued pursuant thereto (collectively, the "ADA Requirements"), except to the extent that the Base Building Improvements are subject to ADA Requirements, in which event Landlord shall be responsible for compliance of the Base Building Improvements therewith.

Tenant covenants and agrees that its use of the Premises shall not cause a discharge of more than its pro rata share on a square foot basis of the design flow gallonage per day of sanitary (non-industrial) sewage allowed under the sewage discharge permit(s) for the Building. Discharges in excess of that amount, and any discharge of industrial sewage, shall only be permitted if Tenant, at its sole expense, shall have obtained all necessary permits and licenses therefor, including without limitation permits from state and local authorities having jurisdiction thereof.

5.1.5 TENANT'S WORK.

To procure at Tenant's sole expense all necessary permits and licenses before Tenant undertakes any work on the Premises; to do all such work in compliance with the applicable provisions of Sections 3.2.1, 3.3 and 5.2.3 hereof; to do all such work in a good and workmanlike manner employing materials of good quality and so as to conform with all applicable zoning, environmental, building, fire, health and other codes, regulations, ordinances and laws and the ADA Requirements; to furnish to Landlord prior to the commencement of any such work, or any other such work for which the cost may reasonably be estimated to exceed

$100,000, a bond or other security acceptable to Landlord assuring that any work commenced or continued by Tenant will be completed in accordance with specifications approved in advance in writing by Landlord; to keep the Premises at all times free of liens for labor and materials; to employ for such work one or more responsible contractors whose labor will work without interference with other labor working on the Premises; to require such contractors employed by Tenant to carry worker's compensation insurance in accordance with statutory requirements and comprehensive public liability insurance covering any general contractors on or about the Premises in amounts that at least equal the limits set forth in Section 1.1 and to submit certificates evidencing such coverage to Landlord prior to the commencement of such work; and to save Landlord harmless and indemnified from all injury, loss, claims or damage to any person or property occasioned by or growing out of such work. Notwithstanding any other provision of this Section 5.1.5 or any other provision of this Lease to the contrary, Landlord shall not, subject to applicable law, prohibit Tenant from using non-union labor to perform any work at the Premises, including Tenant's Work. Without limitation of the foregoing, Landlord shall not require Tenant's employees to unionize.

5.1.6 INDEMNITY.

To defend, with counsel approved by Landlord, all actions against Landlord, any partner, trustee, stockholder, officer, director, employee or beneficiary of Landlord, holders of mortgages secured by the Premises or the Building and Lot and any other party having an interest in the Premises ("Indemnified Parties") with respect to, and to pay, protect, indemnify and save harmless, to the extent permitted by law, all Indemnified Parties from and against, any and all liabilities, losses, damages, costs, (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature arising from (i) injury to or death of any person, or damage to or loss of property, on the Premises or on adjoining streets or ways connected with the use or occupancy thereof by Tenant or its agents, contractors, licensees, employees, sublessees or invitees, unless and to the extent caused by the negligence of Landlord or its servants or agents, (ii) violation of this Lease by Tenant or its agents, contractors, licensees, employees, sublessees or invitees, or (iii) any act, fault, omission, or other misconduct of Tenant or its agents, contractors, licensees, employees, sublessees or invitees.

5.1.7 LANDLORD'S RIGHT TO ENTER.

To permit Landlord and its agents to enter into the Premises at reasonable times and upon at least 24 hours advance notice (except in case of emergency in which event no prior notice shall be required) to examine the Premises, make such repairs and replacements as Landlord may elect, without however, any obligation to do so except as may be otherwise expressly set forth in this Lease, and show the Premises to prospective purchasers and lenders, and, during the last twelve months of the Term, to show the Premises to prospective tenants and to keep affixed in suitable places notices of availability of the Premises. Landlord's right to enter the Premises in accordance with the foregoing shall be subject to Landlord's obligations pursuant to Section 10.15 hereof. Notwithstanding the foregoing, Landlord agrees that in the event that

Landlord shows the Premises to any prospective purchaser or tenant, Landlord shall: (i) provide at least three (3) days' notice to Tenant identifying the prospective purchaser or tenant, (ii) only show the Premises to such purchaser or tenant if Landlord believes in good faith that such person or entity is a bona fide prospective purchaser or tenant, (iii) conduct such showing in compliance with such reasonable requests and instructions as Tenant may make for purposes of protecting Tenant's Confidential Information.

5.1.8 PERSONAL PROPERTY AT TENANT'S RISK.

All of the furnishings, fixtures, equipment, effects and property of every kind, nature and description owned or leased by Tenant or by any person claiming by, through or under Tenant which, during the continuance of this Lease or any occupancy of the Premises by Tenant or anyone claiming under Tenant, may be on the Premises (collectively, "Tenant's Property"), shall, as between the parties, be at the sole risk and hazard of Tenant and if the whole or any part thereof shall be destroyed or damaged by fire, water or otherwise, or by the leakage or bursting of water pipes, steam pipes, or other pipes, by theft or from any other cause, no part of said loss or damage is to be charged to or to be borne by Landlord, except that Landlord shall in no event be indemnified or held harmless or exonerated from any liability to Tenant or to any other person, for any injury, loss, damage or liability to the extent (i) such injury, loss, damage or liability is the result of the negligence or willful misconduct of Landlord, its contractors, agents or employees, or (ii) such indemnification, agreement to hold harmless or exoneration is prohibited by law.

5.1.9 PAYMENT OF LANDLORD'S COST OF ENFORCEMENT.

To pay on demand Landlord's expenses, including reasonable attorney's fees, incurred in enforcing any obligation of Tenant under this Lease or in curing any default by Tenant under this Lease as provided in Section 7.4.

5.1.10 YIELD UP.

Subject to Section 3.3 hereof, at the expiration of the Term or earlier termination of this Lease: to surrender all keys to the Premises; to remove all of its trade fixtures and personal property in the Premises; to remove such installations and improvements made by Tenant as Landlord may request and all Tenant's signs wherever located; to repair all damage caused by such removal; and to yield up the Premises (including all installations and improvements made by Tenant except for trade fixtures and such of said installations or improvements as Landlord shall request Tenant to remove), broom-clean and in the same good order and repair in which Tenant is obliged to keep and maintain the Premises by the provisions of this Lease. Subject to Section 3.3 hereof, any property not so removed shall be deemed abandoned and may be removed and disposed of by Landlord in such manner as Landlord shall determine and Tenant shall pay Landlord the entire cost and expense incurred by Landlord in effecting such removal and disposition and in making any incidental repairs and replacements to the Premises and for use and

occupancy during the period after the expiration of the Term and prior to Tenant's performance of its obligations under this Section 5.1.10. Tenant shall further indemnify Landlord against all loss, cost and damage resulting from Tenant's failure and delay in surrendering the Premises as above provided.

5.1.11 ESTOPPEL CERTIFICATE.

Upon not less than 10 days' prior notice by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect and that except as stated therein Tenant has no knowledge of any defenses, offsets or counterclaims against its obligations to pay the Fixed Rent and Additional Rent and any other charges and to perform its other covenants under this Lease (or, if there have been any modifications that the Lease is in full force and effect as modified and stating the modifications and, if there are any defenses, offsets or counterclaims, setting them forth in reasonable detail), the dates to which the Fixed Rent and Additional Rent and other charges have been paid and a statement that, to the best of Tenant's knowledge, Landlord is not in default hereunder (or if in default, the nature of such default, in reasonable detail) and such other matters reasonably required by Landlord or any prospective purchaser or mortgagee of the Premises. Any such statement delivered pursuant to this Section 5.1.11 may be relied upon by any prospective purchaser or mortgagee of the Premises, or any prospective assignee of any such mortgage.

5.1.12 LANDLORD'S EXPENSES RE CONSENTS.

To reimburse Landlord promptly on demand for all reasonable legal expenses incurred by Landlord in connection with all requests by Tenant for consent or approval under this Lease. Notwithstanding the foregoing, Tenant shall not be liable for any reasonable legal expenses incurred by Landlord for the first two (2) such requests made by Tenant during each period of twelve (12) consecutive calendar months during the Term.

5.1.13 RULES AND REGULATIONS.

To comply with the Rules and Regulations set forth in Exhibit C, as the same may be amended from time to time by Landlord to provide for the beneficial operation of the Building and/or Lot, provided that such amendments do not materially interfere with Tenant's right of use and enjoyment of the Premises pursuant to this Lease.

5.1.14 LOADING.

Not to place Tenant's Property, as defined in Section 5.1.8, upon the Premises so as to exceed the floor load limits set forth in EXHIBIT D attached hereto and not to move any safe, vault or other heavy equipment in, about or out of the Premises except in such manner and at such times as Landlord shall in each instance approve; Tenant's business machines and mechanical equipment which cause vibration or noise that may be detectable outside of the

Building shall be placed or maintained by Tenant in settings of cork, rubber, spring, or other types of vibration eliminators sufficient to reduce such vibration or noise to a level reasonably acceptable to Landlord.

5.1.15 HOLDOVER.

To pay to Landlord (i) the greater of twice (a) the then fair market rent as reasonably determined by Landlord or (b) the total of the Fixed Rent, Additional Rent, and all other payments then payable hereunder, for each month or portion thereof Tenant shall retain possession of the Premises or any part thereof after the termination of this Lease, whether by lapse of time or otherwise, and (ii) all damages sustained by Landlord on account thereof; provided, however, that any payments made by Tenant under the foregoing clause (i) in excess of the then fair market rent for the Premises as so reasonably determined by Landlord shall be applied against any damages under the foregoing clause (ii). The provisions of this subsection shall not operate as a waiver by Landlord of the right of re-entry provided in this Lease.

5.2 NEGATIVE COVENANTS.

Tenant covenants at all times during the Term and for such further time as Tenant occupies the Premises or any part thereof:

5.2.1 ASSIGNMENT AND SUBLETTING.

Not without the prior written consent of Landlord to assign this Lease, to make any sublease, or to permit occupancy of the Premises or any part thereof by anyone other than Tenant, voluntarily or by operation of law, except as hereinafter provided; as Additional Rent, to reimburse Landlord promptly for reasonable legal and other expenses incurred by Landlord in connection with any request by Tenant for consent to assignment or subletting (subject to the provisions of Section 5.1.12 hereof); no assignment or subletting shall affect the continuing primary liability of Tenant (which, following assignment, shall be joint and several with the assignee); no consent to any of the foregoing in a specific instance shall operate as a waiver in any subsequent instance. Landlord's consent to any proposed assignment or subletting is required both as to the terms and conditions thereof and as to the consistency of the proposed assignee's or subtenant's business with other uses and tenants in the Building. In addition, as to any assignee (but not as to any sublessee) Landlord's consent shall be required as to the reasonable creditworthiness of the proposed assignee in view of market conditions then prevailing for leases having terms and conditions comparable to this Lease. Landlord's consent to any assignment or subletting by Tenant shall not be unreasonably withheld, provided that Tenant is not then in default under this Lease and that such assignee or subtenant pays therefor the greater of the Fixed Rent, Additional Rent, and all other payments then payable hereunder, or the then fair market rent for the Premises. If Tenant requests Landlord's consent to assign this Lease or to sublet any portion of the Premises such that Tenant shall not occupy at least 40,000 r.s.f. of the Premises after the date of commencement of such sublease, Landlord shall have the option, exercisable by

written notice to Tenant given within 10 days after receipt of such request, to terminate this Lease as of the date of commencement the proposed sublease or assignment; provided, however, that Tenant shall have the right to rescind any such request in the event Landlord elects to so terminate this Lease by notice given to Landlord within five (5) days after the date of such termination notice from Landlord, in which event such termination notice shall be of no further force or effect;

If, at any time during the Term of this Lease, Tenant is:

(i) a corporation or a trust (whether or not having shares of beneficial interest) and there shall occur any change in the identity of any of the persons then having power to participate in the election or appointment of the directors, trustees or other persons exercising like functions and managing the affairs of Tenant; or

(ii) a partnership or association or otherwise riot a natural person (and is not a corporation or a trust) and there shall occur any change in the identity of any of the persons who then are members of such partnership or association or who comprise Tenant;

Tenant shall so notify Landlord and Landlord may terminate this Lease by notice to Tenant given within 90 days thereafter if, in Landlord's reasonable judgment, the credit of Tenant is thereby impaired. This paragraph shall not apply if the initial Tenant named herein is a corporation and the outstanding voting stock thereof is listed on a recognized securities exchange.

Notwithstanding the foregoing provisions of this Section 5.2.1, Tenant may assign this Lease or sublet any portion of the Premises without Landlord's consent to (i) any successor of Tenant resulting from an acquisition of all or substantially all of Tenant's assets or a merger or consolidation of Tenant and (ii) any Affiliate of Tenant (as hereinafter defined) whose net worth is equal to or greater than the net worth of Tenant as of the date hereof, provided that Tenant provides Landlord at least thirty (30) days prior notice of such assignment or subletting pursuant to either of the foregoing clauses (i) or (ii). As used herein, the term "Affiliate of Tenant" shall mean and refer to any entity controlled by, controlling or under common control with Tenant.

In the event that any assignee or subtenant pays to Tenant any amounts in excess of the Fixed Rent, Additional Rent, and all other payments then payable hereunder, or pro rata portion thereof on a square footage basis for any portion of the Premises (such excess being hereinafter referred to as "Sublease Profits"), Tenant shall promptly pay fifty percent (50%) of said Sublease Profits to Landlord as and when received by Tenant after deduction of Tenant's Sublease Costs (as hereinafter defined). The term "Sublease Costs" shall mean and refer to Tenant's reasonable legal, brokerage and construction costs and expenses incurred in good faith in view of the size and expected term of any applicable sublease or assignment. Sublease Costs shall be amortized over the term of the applicable sublease or assignment.

5.2.2 NUISANCE.

Not to injure, deface or otherwise harm the Premises; nor commit any nuisance; nor permit the emission of any noise, vibration or odor which is contrary to any law or ordinance; nor make, allow or suffer any waste; nor make any use of the Premises which is improper, offensive or contrary to any law or ordinance or which will invalidate any of Landlord's insurance.

5.2.3 INSTALLATION, ALTERATIONS OR ADDITIONS.

Subject to the provisions of Section 3.2.1, 3.3 and Section 5.1.5 hereof, not to make any installations, alterations, or additions in, to or on the Premises (including, without limitation, buildings, lawns, planted areas, walks, roadways, parking and loading areas, but expressly excluding the initial Tenant's Work, provided the same is approved by Landlord, such approval not to be unreasonably withheld or delayed), nor, except for Tenant's Work approved by Landlord, to permit the making of any apertures in the walls, partitions, ceilings or floors without on each occasion obtaining the prior written consent of Landlord and then only pursuant to plans and specifications approved by Landlord in advance in each instance.

ARTICLE VI

CASUALTY OR TAKING

6.1 TERMINATION.

In case during the period which is thirty (30) months prior to the expiration of the Term all or any substantial part of the Premises or of the Building or of the Lot or any one or more of them shall be taken by any public authority or for any public use, or shall be destroyed or damaged by fire or casualty, or by the action of any public authority, or Landlord receives compensable damage by reason of anything lawfully done in pursuance of public or other authority, (hereinafter referred to as the "Casualty or Taking"), then this Lease may be terminated at the election of Landlord. Such election, which may be made notwithstanding the fact that Landlord's entire interest may have been divested, shall be made by the giving of notice by Landlord to Tenant within 30 days after the Casualty or Taking.

6.2 RESTORATION.

If Landlord does not exercise said election (or is not entitled to exercise said election in the case of a Casualty or Taking occurring more than thirty (30) months prior to the expiration of the Term of this Lease), this Lease shall continue in force and a just proportion of the rent reserved, according to the nature and extent of the damages sustained by the Premises, but not in excess of an equitable proportion of the net proceeds of insurance recovered by Landlord under the rental insurance coverage carried pursuant to Section 4.2.2.2, shall be abated from the date of the

Casualty or Taking until the Premises, or what may remain thereof, shall be put by Landlord in proper condition for use subject to zoning and building laws or ordinances then in existence, which, unless Landlord has exercised its option to terminate pursuant to Section 6.1, Landlord covenants to do with reasonable diligence at Landlord's expense, provided that Landlord's obligations with respect to restoration shall not require Landlord to expend more than the net proceeds of insurance recovered or damages awarded for such Casualty or Taking. "Net proceeds of insurance recovered or damages awarded" refers to the gross amount of such insurance or damages less the reasonable expenses of Landlord in connection with the collection of the same, including without limitation, fees and expenses for legal and appraisal services.

Notwithstanding the foregoing, in the event that Landlord's architect reasonably determines that the Premises will not be repaired or restored (to the extent permitted by the net proceeds of insurance recovered or damages awarded from such Casualty or Taking) within one year after the occurrence of such Casualty or Taking then Tenant shall have the right to terminate this Lease by notice given within thirty (30) days after the date of such determination.

6.3 AWARD.

Irrespective of the form in which recovery may be had by law, all rights to damages or compensation shall belong to Landlord in all cases except as set forth below in this Section 6.3. Tenant hereby grants to Landlord all of Tenant's rights to such damages and compensation and covenants to deliver such further assignments thereof as Landlord may from time to time request. It is agreed and understood, however, that Landlord does not reserve to itself, and Tenant does not assign to Landlord, any damages payable for (i) movable trade fixtures installed by Tenant or anybody claiming under Tenant, at its own cost and expense or (ii) relocation expenses or damages for loss of business (in excess of any such damages attributable to the value of this lease) recoverable by Tenant from such authority in a separate action.

ARTICLE VII

DEFAULTS

7.1 EVENTS OF DEFAULT.

(a) If Tenant shall default in the performance of any of its obligations to pay the Fixed Rent or Additional Rent hereunder and if such default shall continue for 10 days after notice from Landlord to Tenant (provided, however, that Landlord shall not be required to provide such notice more than two (2) times in any period of twelve (12) consecutive calendar months) or if within 30 days after notice from Landlord to Tenant specifying any other default or defaults Tenant has not commenced diligently to correct the default or defaults so specified or has not thereafter diligently pursued such correction to completion, or (b) if any assignment for the benefit of creditors shall be made by Tenant, or by any guarantor of Tenant, or (c) if Tenant's leasehold interest shall be taken on execution or other process of law in any action against

Tenant, or (d) if a lien or other involuntary encumbrance is filed against Tenant's leasehold interest, and is not discharged within thirty (30) days thereafter, or (e) if a petition is filed by Tenant or any guarantor of Tenant for liquidation, or for reorganization or an arrangement or any other relief under any provision of the Bankruptcy Code as then in force and effect, or (f) if an involuntary petition under any of the provisions of said Bankruptcy Code is filed against Tenant or any guarantor of Tenant and such involuntary petition is not dismissed within ninety (90) days thereafter, or (g) if Tenant fails to maintain the insurance required under Section 4.2.2.1 hereof, then, and in any of such cases, Landlord and the agents and servants of Landlord lawfully may, in addition to and not in derogation of any remedies for any preceding breach of covenant, immediately or at any time thereafter and without demand or notice, at Landlord's election, do any one or more of the following: (1) give Tenant written notice stating that the Lease is terminated, effective upon the giving of such notice or upon a date stated in such notice, as Landlord may elect, in which event the Lease shall be irrevocably extinguished and terminated as stated in such notice without any further action, or (2) with or without process of law, in a lawful manner and without illegal force, enter and repossess the Premises as of Landlord's former estate, and expel Tenant and those claiming through or under Tenant, and remove its and their effects, without being guilty of trespass, in which event the Lease shall be irrevocably extinguished and terminated at the time of such entry, or (3) pursue any other rights or remedies permitted by law. Any such termination of the Lease shall be without prejudice to any remedies which might otherwise be used for arrears of rent or prior breach of covenant, and in the event of such termination Tenant shall remain liable under this Lease as hereinafter provided. Tenant hereby waives all statutory rights of redemption and Landlord, without notice to Tenant, may store Tenant's effects, and those of any person claiming through or under Tenant, at the expense and risk of Tenant, and, if Landlord so elects, may sell such effects at public auction or private sale and apply the net proceeds to the payment of all sums due to Landlord from Tenant, if any, and pay over the balance, if any, to Tenant.

7.2 REMEDIES.

In the event that this Lease is terminated under any of the provisions contained in Section 7.1 or shall be otherwise terminated for breach of any obligation of Tenant, Tenant covenants to pay forthwith to Landlord, as compensation, the excess of the total rent reserved for the residue of the Term over the fair market rental value of the Premises for said residue of the Term. In calculating the rent reserved there shall be included, in addition to the Fixed Rent and Additional Rent, the value of all other considerations agreed to be paid or performed by Tenant during said residue. Tenant further covenants (as additional and cumulative obligations) after any such termination to pay punctually to Landlord all the sums and to perform all the obligations which Tenant covenants in this Lease to pay and to perform in the same manner and to the same extent and at the same time as if this Lease had not been terminated. In calculating the amounts to be paid by Tenant pursuant to the next preceding sentence Tenant shall be credited with any amount paid to Landlord as compensation as in this Section 7.2 provided and also with the net proceeds of any rent obtained by Landlord by reletting the Premises, after deducting all of the Landlord's reasonable expenses in connection with such reletting, including, without limitation,

all repossession costs, brokerage commissions, fees for legal services and expenses of preparing the Premises for such reletting, it being agreed by Tenant that Landlord may (i) relet the Premises or any part or parts thereof, for a term or terms which may at Landlord's option be equal to or less than or exceed the period which would otherwise have constituted the balance of the Term and may grant such concessions and free rent as Landlord in its reasonable judgment considers advisable or necessary to relet the same and (ii) make such alterations, repairs and decorations in the Premises as Landlord in its reasonable judgment considers advisable or necessary to relet the same, and no action of Landlord in accordance with the foregoing or failure to relet or to collect rent under reletting shall operate or be construed to release or reduce Tenant's liability as aforesaid.

In lieu of any other damages or indemnity and in lieu of full recovery by Landlord of all sums payable under all the foregoing provisions of this Section 7.2, Landlord may by notice to Tenant, at any time after this Lease is terminated under any of the provisions contained in Section 7.1 or is otherwise terminated for breach of any obligation of Tenant and before such full recovery, elect to recover, and Tenant shall thereupon pay, as liquidated damages, an amount equal to the aggregate of the Fixed Rent and Additional Rent accrued in the 12 months ended next prior to such termination, plus the amount of rent of any kind accrued and unpaid at the time of termination and less the amount of any recovery by Landlord under the foregoing provisions of this Section 7.2 up to the time of payment of such liquidated damages.

Nothing contained in this Lease shall, however, limit or prejudice the right of Landlord to prove for and obtain in proceedings for bankruptcy or insolvency by reason of the termination of this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, the damages are to be proved, whether or not the amount be greater than, equal to, or less than the amount of the loss or damages referred to above.

7.3 REMEDIES CUMULATIVE.

Any and all rights and remedies which either Landlord or Tenant may have under this Lease, and at law and equity, shall be cumulative and shall not be deemed inconsistent with each other, and any two or more of all such rights and remedies may be exercised at the same time insofar as permitted by law.

7.4 LANDLORD'S RIGHT TO CURE DEFAULTS.

Landlord may, but shall not be obligated to, cure, at any time, following 10 days' prior notice to Tenant, except in cases of emergency when no notice shall be required, any default by Tenant under this Lease; and whenever Landlord so elects, all costs and expenses incurred by Landlord, including reasonable attorneys' fees, in curing a default shall be paid by Tenant to Landlord as Additional Rent on demand, together with interest thereon at the rate provided in Section 4.3 from the date of payment by Landlord to the date of payment by Tenant.

7.5 EFFECT OF WAIVERS OF DEFAULT.

Any consent or permission by Landlord or Tenant to any act omission by the other party which otherwise would be a breach of any covenant or condition herein, or any waiver by Landlord or Tenant of the breach of any covenant or condition herein by the other party, shall not in any way be held or construed (unless expressly so declared) to operate so as to impair the continuing obligation of any covenant or condition herein, or otherwise, except as to the specific instance, operate to permit similar acts or omissions.

The failure of Landlord or Tenant to seek redress for violation of, or to insist upon the strict performance of, any covenant or condition of this Lease by the other party shall not be deemed a waiver of such violation nor prevent a subsequent act, which would have originally constituted a violation, from having all the force and effect of an original violation. The receipt by Landlord, or the payment by Tenant, as the case may be, of rent with knowledge of the breach of any covenant of this Lease shall not be deemed to have been a waiver of such breach by Landlord or Tenant, as the case may be. No consent or waiver, express or implied, by Landlord or Tenant, as the case may be, to or of any breach of any agreement or duty shall be construed as a waiver or consent to or of any other breach of the same or any other agreement or duty.

7.6 NO ACCORD AND SATISFACTION.

No acceptance by Landlord of a lesser sum than the Fixed Rent, Additional Rent or any other charge then due shall be deemed to be other than on account of the earliest installment of such rent or charge due, unless Landlord elects by notice to Tenant to credit such sum against the most recent installment due, nor shall any endorsement or statement on any check or any letter accompanying any check or payment as rent or other charge be deemed an accord and satisfaction, and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such installment or pursue any other remedy in this Lease provided.

ARTICLE VIII

MORTGAGES

8.1 RIGHTS OF MORTGAGE HOLDERS.

The word "mortgage" as used herein includes mortgages, deeds of trust or other similar instruments evidencing other voluntary liens or encumbrances, and modifications, consolidations, extensions, renewals, replacements and substitutes thereof. The word "holder" shall mean a mortgagee, and any subsequent holder or holders of a mortgage. Until the holder of a mortgage shall enter and take possession of the Premises for the purpose of foreclosure, such holder shall have only such rights of Landlord as are necessary to preserve the integrity of this Lease as

security. Upon entry and taking possession of the Premises for the purpose of foreclosure, such holder shall have all the rights of Landlord. Notwithstanding any other provision of this Lease to the contrary, including without limitation Section 10.5, no such holder of a mortgage shall be liable either as mortgagee or as assignee to perform, or be liable in damages for failure to perform, any of the obligations of Landlord unless and until such holder shall enter and take possession of the Premises for the purpose of foreclosure, and such holder shall not in any event be liable to perform or for failure to perform the obligations of Landlord under Section 3.1. Upon entry for the purpose of foreclosure, such holder shall be liable to perform all of the obligations of Landlord (except for the obligations under Article III), subject to and with the benefit of the provisions of Section 10.5, provided that a discontinuance of any foreclosure proceeding shall be deemed a conveyance under said provisions to the owner of the equity of the Premises. No Fixed Rent, Additional Rent or any other charge shall be paid more than 10 days prior to the due dates thereof and payments made in violation of this provision shall (except to the extent that such payments are actually received by a mortgagee in possession or in the process of foreclosing its mortgage) be a nullity as against such mortgagee and Tenant shall be liable for the amount of such payments to such mortgagee.

The covenants and agreements contained in this Lease with respect to the rights, powers and benefits of a holder of a mortgage (including, without limitation, the covenants and agreements contained in this Section 8.1) constitute a continuing offer to any person, corporation or other entity, which by accepting a mortgage subject to this Lease, assumes the obligations herein set forth with respect to such holder; such holder is hereby constituted a party of this Lease as an obligee hereunder to the same extent as though its name were written hereon as such; and such holder shall be entitled to enforce such provisions in its own name. Tenant agrees on request of Landlord to execute and deliver from time to time any agreement which may be necessary to implement the provisions of this Section 8.1.

8.2 SUPERIORITY OF LEASE; OPTION TO SUBORDINATE.

This Lease shall be superior to and shall not be subordinate to any future mortgage or other voluntary lien or other encumbrance of the Lot and Building; provided, however, that Landlord shall have the option to subordinate this Lease to any such mortgage of the Lot and Building provided that Landlord obtains from the holder of record of any existing or future mortgage an agreement with Tenant by the terms of which such holder will agree (a) to recognize the rights of Tenant under this Lease, (b) to perform Landlord's obligations hereunder arising after the date of such holder's acquisition of title as hereinafter described, expressly excluding, however, Landlord's obligations under Article III of this Lease, and (c) to accept Tenant as tenant of the Premises under the terms and conditions of this Lease in the event of acquisition of title by such holder through foreclosure proceedings or otherwise, provided that Tenant will agree to recognize the holder of such mortgage as Landlord in such event, which agreement shall be made expressly to bind and inure to the benefit of the successors and assigns of Tenant and of the holder and upon anyone purchasing said Premises at any foreclosure sale. Tenant and Landlord agree to execute and deliver any appropriate instruments necessary to carry out the agreements

contained in this Section 8.2. Any such mortgage to which this Lease shall subordinate may contain such terms, provisions and conditions as the holder deems usual or customary.

8.3 LEASE AMENDMENTS.

Tenant agrees to make such changes in this Lease as may be reasonably required by the holder of any mortgage of which the Premises are a part, or any institution which may purchase all or a substantial part of Landlord's interest in the Premises, provided that such changes may not increase the Fixed Rent or other payments due hereunder or otherwise materially affect the obligations of Tenant hereunder, and provided further that such changes do not (i) materially interfere with Tenant's right of use and enjoyment of the Premises pursuant to this Lease, (ii) limit, impair or delay Tenant's rights to sublease or assign all or portion of this Lease pursuant to Section 5.2.1 hereof, (iii) limit, impair or delay Tenant's right to obtain a reduction or abatement of rent pursuant to Section 6.2, (iv) limit, impair or delay Tenant's right to terminate this Lease pursuant to Section 3.2 or Section 6.2 or (v) otherwise unreasonably limit, impair or delay Tenant's rights hereunder.

ARTICLE IX

LANDLORD'S ADDITIONAL COVENANTS

9.1 AFFIRMATIVE COVENANTS.

Landlord covenants at all times during the Term:

9.1.1 PERFORM OBLIGATIONS.

To perform promptly all of the obligations of Landlord set forth in this Lease, including, without limitation, furnishing, through Landlord's employees or independent contractors, the services (the cost of which is to be included in the Annual Maintenance Charge) listed in Exhibit J and completing construction of the Phase I Space and the Phase II Space in accordance with Article III;

9.1.2 REPAIRS.

Except as otherwise provided in Article VI, to make such repairs (the cost of which is to be included in the Annual Maintenance Charge) to the roof, exterior walls, exterior windows and waterproofing, floor slabs, other structural components, parking areas, walks, landscaping, courtyard and any other common areas and facilities of the Building as may be necessary to keep them in good, serviceable and neat condition. Landlord shall be responsible for the maintenance and repair of the heating and air-conditioning systems and the components thereof serving the Building to the extent that such systems and components are included in Base Building Improvements.

9.1.3 COMPLIANCE WITH LAW.

To make all repairs, alterations, additions or replacements to the Building or the Lot (the costs of which are to be included in the Annual Maintenance Charge) required by any law, ordinance or order or regulation of any public authority including repairs, alterations, additions or replacements to the foundations and structural elements of the Building, except as required because of Tenant's failure to comply with the provisions of Section 5.1.3 hereof; to keep the Building equipped with all safety appliances so required (the costs of which are to be included in the Annual Maintenance Charge); subject to Section 4.2.1, to pay all municipal, county, or state taxes assessed against the Building or the Lot, or against Landlord's personal property of any kind on or about the Building or the Lot; and to comply with the orders and regulations of all governmental authorities with respect to zoning, building, fire, health and other codes, regulations, ordinances or laws applicable to the Building or the Lot, including the ADA Requirements (as defined in Section 5.1.4 hereof) and any codes, regulations, ordinances or laws relating to hazardous materials (as defined in Section 5.1.4), subject to, and without limitation of, Tenant's obligations with respect to such codes, regulations, ordinances or laws. The costs incurred by Landlord in connection with the foregoing compliance obligations shall be included in the Annual Maintenance Charge. All of the foregoing covenants and obligations are subject to, and without limitation of, all of Tenant's obligations under this Lease, including, without limitation, those set forth in Sections 4.2 and 5.1.4.

9.1.4 INDEMNITY.

To defend, with counsel reasonably approved by Tenant, all actions against Tenant, any partner, trustee, stockholder, officer, director, employee or beneficiary of Tenant ("Tenant's Indemnified Parties") with respect to, and to pay, protect, indemnify and save harmless, to the extent permitted by law, all Tenant's Indemnified Parties from and against any and all liabilities, losses, damages, costs, expenses (including reasonable attorneys' fees and expenses), causes of action, suits, claims, demands or judgments of any nature to which any of Tenant's Indemnified Parties is subject arising from and to the extent of any negligent or willful act, fault, omission, or other misconduct of Landlord or its agents, contractors or employees.

9.1.5 ESTOPPEL CERTIFICATE.

Upon not less than 10 days' prior notice by Tenant, to execute, acknowledge and deliver to Tenant a statement in writing certifying that this Lease is unmodified and in full force and effect and that except as stated therein Landlord has no knowledge of any defenses, offsets or counterclaims against its obligations under this Lease (or, if there have been any modifications that the Lease is in full force and effect as modified and stating the modifications and, if there are any defenses, offsets or counterclaims, setting them forth in reasonable detail), the dates to which the Fixed Rent and Additional Rent and other charges have been paid and a statement that, to the best of Landlord's knowledge, Tenant is not in default hereunder (or if in default, the nature of

such default, in reasonable detail) and such other matters reasonably required by Tenant or any prospective assignee of Tenant. Any such statement delivered pursuant to this Section 9.1.5 may be relied upon by any prospective assignee.

9.1.6 LANDLORD'S TITLE.

The Lot is currently a portion of a separate taxable parcel of Land (the "Land") and Landlord is in the process of subdividing the Land so as to, INTER ALIA, establish the Lot as a separate taxable parcel and establish easements which benefit and/or burden the Lot and the premises demised pursuant to the Phase I Lease (collectively, the "Subdivision"). In connection therewith, Landlord shall, on or before ninety (90) days after the date hereof, obtain, file and record (i) a partial release of the Lot from Sun America Life Insurance Company (the "Mortgagee") of the Mortgage, Security Agreement, Fixture Filing, Financing Statement and Assignment of Leases and Rents dated July 29, 1998 (the "Mortgage") or (ii) a Subordination, Nondisturbance and Attornment Agreement from the Mortgagee substantially in the form delivered to Tenant in connection with the Phase I Lease. Landlord represents and warrants that except for the Mortgage, currently there is no other mortgage on the Premises. Upon obtaining such partial release, Landlord intends to convey the Lot and assign this Lease to an entity owned and controlled by Landlord (the "Transfer"). Tenant agrees to cooperate with Landlord in connection with such Subdivision and Transfer, including without limitation, the execution, acknowledgment and delivery of an instrument pursuant to which this Lease shall be subordinated to easements reasonably established in connection with the Subdivision and Transfer and such other documents as Landlord reasonably may request. In connection with the Subdivision and Transfer, Landlord shall deliver to Tenant an easement plan (the "Plan"), which Plan shall be attached hereto as Exhibit A and which Plan shall show, INTER ALIA, the Lot and an area or areas between the Building and the Phase I Building within which Interconnections may be made.

9.1.7 UTILITIES.

Subject to Section 4.2.3 hereof, to bring (or cause to brought) utilities for the Premises to the Utility Switching Points at Landlord's sole cost and expense.

ARTICLE X

MISCELLANEOUS PROVISIONS

10.1 NOTICES FROM ONE PARTY TO THE OTHER.

All notices required or permitted hereunder shall be in writing and addressed, if to the Tenant, at the Original Address of Tenant or such other address as Tenant shall have last designated by notice in writing to Landlord and, if to Landlord, at Landlord's Address or such other address as Landlord shall have last designated by notice in writing to Tenant. Any notice

shall be deemed duly given if mailed to such address postage prepaid, registered or certified mail, return receipt requested, when deposited with the U.S. Postal Service, or if delivered by a recognized courier service (e.g. Federal Express) when deposited with such courier service, or if delivered to such address by hand, when so delivered.

10.2 QUIET ENJOYMENT.

Landlord agrees that upon Tenant's paying the rent and performing and observing the terms, covenants, conditions and provisions on its part to be performed and observed, Tenant shall and may peaceably and quietly have, hold and enjoy the Premises during the Term without any manner of hindrance or molestation from Landlord or anyone claiming under Landlord, subject, however, to the terms of this Lease.

10.3 EASEMENTS; CHANGES TO LOT LINES.

Landlord reserves the right, from time to time, to grant easements affecting the Premises or the Building or the Lot and to change or alter existing boundaries of the Lot for purpose of developing and using the Lot so long as such easements or such changes or alterations to existing boundaries of the Lot do not materially interfere with Tenant's use of the Premises, and to enter upon the Premises for purposes of constructing and maintaining any pipes, wires and other facilities serving any portion of the Lot or of the Building, subject to the terms of Section 5.1.7 hereof.

10.4 LEASE NOT TO BE RECORDED.

Neither party shall record this Lease. Both parties shall execute and deliver a notice of this Lease in such form, if any, as may be permitted by applicable statute. If this Lease is terminated before the Term Expiration Date the parties shall execute, deliver and record an instrument acknowledging such fact and the actual date of termination of this Lease, and Tenant hereby appoints Landlord its attorney-in-fact, coupled with an interest, with full power of substitution to execute such instrument.

10.5 BIND AND INURE; LIMITATION OF LANDLORD'S LIABILITY.

The obligations of this Lease shall run with the land, and this Lease shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. No owner of the Premises shall be liable under this Lease except for breaches of Landlord's obligations occurring while owner of the Premises. The obligations of Landlord shall be binding upon the assets of Landlord which comprise the Premises but not upon other assets of Landlord. No partner, trustee, stockholder, officer, director, employee or beneficiary (or the partners, trustees, stockholders, officers, directors or employees of any such beneficiary) of Landlord shall be personally liable under this Lease and Tenant shall look solely to Landlord's interest in the Premises in pursuit of its remedies upon an event of default hereunder, and the general assets of

the partners, trustees, stockholders, officers, employees or beneficiaries (and the partners, trustees, stockholders, officers, directors or employees of any such beneficiary) of Landlord shall not be subject to levy, execution or other enforcement procedure for the satisfaction of the remedies of Tenant; provided that the foregoing provisions of this sentence shall not constitute a waiver of any obligation evidenced by this Lease and provided further that the foregoing provisions of this sentence shall not limit the right of Tenant to name Landlord or any individual partner or trustee thereof as part defendant in any action or suit in connection with this Lease so long as no personal money judgment shall be asked for or taken against any individual partner, trustee, stockholder, officer, employee or beneficiary of Landlord.

10.6 ACTS OF GOD.

In any case where either party hereto is required to do any act, delays caused by or resulting from the occurrence of one or more Force Majeure Events shall not be counted in determining the time during which work shall be completed, whether such time be designated by a fixed date, a fixed time or a "reasonable time", and such time shall be deemed to be extended by the period of such delay.

10.7 LANDLORD'S DEFAULT.

Landlord shall not be deemed to be in default in the performance of any of its obligations hereunder unless it shall fail to perform such obligations and such failure shall continue for a period of 30 days following receipt of notice from Tenant or such additional time as is reasonably required to correct any such default after notice has been given by Tenant to Landlord specifying the nature of Landlord's alleged default. Landlord shall not be liable in any event for incidental or consequential damages to Tenant by reason of any default by Landlord hereunder, whether or not Landlord is notified that such damages may occur. Except as expressly set forth in Section 3.2 and Section 6.2 hereof, Tenant shall have no right to terminate this Lease for any default by Landlord hereunder and no right, for any such default, to offset or counterclaim against any rent due hereunder.

Notwithstanding the foregoing, if any repairs to the Premises required by this Lease or any maintenance, cleaning, or lighting of the common areas of the Building or the Lot, are not performed by Landlord within thirty (30) days after notice from Tenant (or such longer period as may be reasonably required in the event that any such repair, maintenance, cleaning or lighting cannot be completed within said thirty (30) day period), Tenant shall have the right to perform such obligation of Landlord. If Tenant performs any such obligation of Landlord, Landlord shall pay to Tenant the reasonable cost thereof within thirty (30) days after notice from Tenant, provided, however, that in no event shall Tenant have the right to offset or deduct the amount thereof against any payment of rent due hereunder.

If an emergency occurs where a repair is required to be done immediately in order to avoid imminent danger to persons or material damage to the Premises, Tenant shall have the right to

self-help consistent with the immediately preceding grammatical paragraph of this Section 10.7 after giving Landlord only such notice as is reasonable under the circumstances, provided, however, that formal notice shall be promptly given thereafter. However, the right of self-help afforded to Tenant in this Section 10.7 shall be carefully and judiciously exercised by Tenant, it being understood and agreed that except in the case of an emergency, Landlord shall be given sufficient opportunity to take the action required of Landlord to avoid such default, in order to avoid any conflict with respect to whether or not self-help should have been availed of by Tenant, or with respect to the reasonableness of the expenses incurred by Tenant.

10.8 BROKERAGE.

Each party warrants and represents to the other party that it has had no dealings with any broker or agent in connection with this Lease other than Insignia/ESG ("Broker") and covenants to defend with counsel reasonably approved by such other party, hold harmless and indemnify such other party from and against any and all cost, expense or liability arising from any breach of the foregoing warranty and representation.

10.9 APPLICABLE LAW AND CONSTRUCTION.

This Lease shall be governed by and construed in accordance with the laws of the state in which the Premises are located. If any term, covenant, condition or provision of this Lease or the application thereof to any person or circumstances shall be declared invalid, or unenforceable by the final ruling of a court of competent jurisdiction having final review, the remaining terms, covenants, conditions and provisions of this Lease and their application to persons or circumstances shall not be affected thereby and shall continue to be enforced and recognized as valid agreements of the parties, and in the place of such invalid or unenforceable provision, there shall be substituted a like, but valid and enforceable provision which comports to the findings of the aforesaid court and most nearly accomplishes the original intention of the parties.

There are no prior oral or written agreements between Landlord and Tenant affecting this Lease. This Lease may be amended, and the provisions hereof may be waived or modified, only by instruments in writing executed by Landlord and Tenant.

The titles of the several Articles and Sections contained herein are for convenience only and shall not be considered in construing this Lease.

Unless repugnant to the context, the words "Landlord" and "Tenant" appearing in this Lease shall be construed to mean those named above and their respective heirs, executors, administrators, successors and assigns, and those claiming through or under them respectively. If there be more than one tenant the obligations imposed by this Lease upon Tenant shall be joint and several.

10.10 SUBMISSION NOT AN OFFER.

The submission of a draft of this Lease or a summary of some or all of its provisions does not constitute an offer to ` lease or demise the Premises, it being understood and agreed that neither Landlord nor Tenant shall be legally bound with respect to the leasing of the Premises unless and until this Lease has been executed by both Landlord and Tenant and a fully executed copy delivered to each of them.

10.11 SECURITY DEPOSIT.

Tenant will provide within five (5) business days of the date hereof and as a condition of this Lease and shall keep in effect throughout the Term, a standby letter of credit in the Security Deposit Amount (as hereinafter defined) as security for the performance of the obligations of Tenant hereunder in accordance with the following requirements. As used herein, the term "Security Deposit Amount" shall mean and refer to the sum of the Initial Estimated Annual Additional Rent plus the Annual Fixed Rent Rate, as the same may be adjusted in accordance with Section 2.3, Section 4.1(b) and Section 10.12 hereof. If Tenant elects to have Landlord advance the Tenant Allowance, the Security Deposit Amount shall thereupon be increased to $6,557,654 plus an amount equal to the Initial Estimated Annual Additional Rent. On the effective date of any such adjustment of the Annual Fixed Rent Rate, Tenant shall provide a replacement letter of credit for the amount of the adjusted Security Deposit Amount. Any letter of credit provided by Tenant shall be in form and substance acceptable to Landlord and shall be drawn on BankBoston, N.A. (or another Boston clearinghouse bank reasonably satisfactory to Landlord) for the Security Deposit Amount in Landlord's favor. Tenant shall provide for replacements thereto to be issued and delivered to Landlord at least 30 days prior to the expiration of the then effective letter of credit, time being of the essence. The letter of credit shall be payable to Landlord upon presentation at the issuing bank's offices in Boston of a sight draft signed by Landlord stating that Landlord is entitled thereto, and a certification of Landlord that the person signing the certification is duly authorized to do so, that an uncured default exists under the Lease, that the default has continued after the expiration of any applicable cure period, and that the amount of the draft does not exceed the amount reasonably required to cure such default (the "Default Certification"). Landlord agrees that it shall present such sight draft and Default Certification only if Tenant defaults in performance of its obligations hereunder and such default shall have continued past any applicable notice and grace period. Any letter of credit in effect during the last year of the Term shall expire no earlier than 30 days after the expiration of the Term of the Lease. The letter of credit shall provide for partial draws and shall be assignable by Landlord. If Tenant shall fail to perform any of its obligations under this Lease including a failure timely to provide a replacement letter of credit, Landlord may, but shall not be obligated to, apply the letter of credit to the extent necessary to cure the default, and Tenant shall be obligated to reinstate the letter of credit to the Security Deposit Amount then in effect. Tenant shall not have the right to call upon Landlord to draw upon all or any part of the letter of credit to cure any default or fulfill any obligation of Tenant, but such use shall be solely in the discretion of Landlord. Provided that Landlord gives Tenant notice of the name of such grantee or transferee, upon any conveyance by Landlord of its interest under this Lease, the letter of

credit may be delivered by Landlord to Landlord's grantee or transferee. Upon any such delivery, Tenant hereby releases Landlord herein named of any and all liability with respect to the letter of credit, its application and return, and Tenant agrees to look solely to such grantee or transferee. It is further understood that this provision shall also apply to subsequent grantees and transferees. Notwithstanding the foregoing, in lieu of a letter of credit, Tenant may deliver cash in the Security Deposit Amount to Landlord, in which event applicable provisions of this Section 10.11 shall apply to Landlord's use and delivery thereof. If Tenant elects to deliver cash to Landlord in the Security Deposit Amount, Tenant, subject to Landlord's prior written approval, may designate the investment thereof, and interest earned thereon shall be disbursed to Tenant on a yearly basis so long as no default has occurred and is then continuing.

10.12 OPTIONS TO EXTEND.

(a) Tenant shall have two (2) options to extend the Term of this Lease (the "Options to Extend") for successive periods of ten (10) years each (the "Extension Periods"), subject to and on the terms set forth herein. Tenant may only exercise the Options to Extend with respect to the entire Premises. If Tenant shall desire to exercise any Option to Extend, it shall give Landlord a notice (the "Inquiry Notice") of such desire not later than fifteen (15) months prior to the expiration of the Initial Term of this Lease or the preceding Extension Period, as the case may be. Thereafter, the Fair Market Rent (as defined in Subsection (c) below) for the applicable 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 Option to Extend by giving Landlord notice (the "Exercise Notice") of its election to do so not later than twelve (12) months prior to the expiration of the Initial Term of this Lease, or the preceding Extension Period, as the case may be. If Tenant fails to timely give either the Inquiry Notice or the Exercise Notice to Landlord with respect to any Option to Extend, Tenant shall be conclusively deemed to have waived such Option to Extend hereunder.

(b) Notwithstanding any contrary provision of this Lease, each Option to Extend and any exercise by Tenant thereof shall be void and of no force or effect unless on the dates Tenant gives Landlord its Inquiry Notice and Exercise Notice for each Option to Extend and on the date of commencement of the each 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 of the Premises.

(c) All of the terms, provisions, covenants, and conditions of this Lease shall continue to apply during each Extension Period, except that the Annual Fixed Rent Rate during each Extension Period (the "Extension Rent") shall be equal to the fair market rent for the Premises determined as of the date twelve (12) months prior to expiration of the Initial Term or the preceding 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 Extension Period shall be determined as follows: Within five (5) days after Tenant gives Landlord its Inquiry Notice with respect to any Option to Extend, Landlord shall give Tenant notice of Landlord's determination of the Fair Market Rent for the applicable 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 for the applicable 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 subsection.

(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 Extension Period within thirty (30) days after Landlord's appointment of the second Arbitrator. On or before the expiration of such thirty (30) day period, the two Arbitrators shall confer to compare their respective determinations of the 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 of 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 shall have ten (10) days thereafter to appoint a third Arbitrator (the "Third Arbitrator"), who shall be instructed to determine the Fair Market Rent for the applicable Extension Period within ten (10) days after its appointment by selecting one of the amounts determined by the other two Arbitrators. Each party shall bear the cost of the Arbitrator selected by such party. The cost for the Third Arbitrator, if any, shall be shared equally by Landlord and Tenant.

(f) Regardless of the manner in which the Extension Rent is determined, the Annual Fixed Rent for each Extension Period shall be subject to adjustment as set forth in Section 4.1(b) hereof.

10.13 INTENTIONALLY OMITTED.

10.14 PARKING.

Tenant shall be obligated to pay as Additional Rent monthly, the then fair market value (estimated to be $150.00 per space per month in calendar year 2000 for Garage parking spaces) for each of the parking spaces to be leased to Tenant. All parking spaces leased hereby may only be utilized by Tenant's employees, visitors, sublessees or assignees, visiting or working at the

Premises. Tenant shall have the right to lease from Landlord such parking spaces prior to the Commencement Date on the terms set forth herein. Landlord shall have the right, from time to time, to relocate, on a temporary basis as may be necessary to effect repairs and improvements to the Garage, parking spaces located in the Garage to another location within 1000 feet of the Lot, provided that in each instance such other location may be lawfully used for accessory parking, and provided further that the monthly rent to be paid by Tenant for each temporarily relocated parking space shall be an amount equal to the fair market value thereof but in no event more than the rent then being paid by Tenant for a parking space in the Garage. If such relocation is required in connection with repairs to the Garage, Landlord agrees to diligently pursue completion of such repairs.

10.15 CONFIDENTIAL INFORMATION.

Landlord hereby agrees that any and all knowledge, information, data, materials, trade secrets, and other work product of a confidential nature gained, obtained, derived, produced, generated or otherwise acquired by Landlord with respect to Tenant's business (collectively "Confidential Information") shall be kept confidential. Landlord shall use diligent efforts to ensure that no Confidential Information is revealed, divulged, communicated, related, or described to any person or entity without the written consent of Landlord, except as may be required by applicable law.

10.16 SIGNAGE.

Tenant shall be permitted, at its sole cost and expense, to install and maintain signs on the exterior of the Building which read "Vertex" (or something similar reasonably approved by Landlord), provided that: (i) the size, location, quality, color and style of such signs shall be subject to Landlord's approval, such approval not to be unreasonably withheld or delayed, and (ii) such signs shall be subject to limitations of applicable law, including, without limitation, the Cambridge Zoning By-Law, as amended from time to time. Tenant shall secure all permits necessary for the installation of such signs at its sole cost and expense. Upon the expiration or sooner termination of the Term of this Lease, Tenant shall remove such signs and repair any damage resulting therefrom at Tenant's sole cost and expense.

WITNESS the execution hereof under seal on the day and year first above written.

LANDLORD: FORT WASHINGTON REALTY TRUST

David E. Clem, Trustee
and not individually

David M. Roby, Trustee
and not individually

TENANT: VERTEX PHARMACEUTICALS INCORPORATED

By:

Its:
hereunto duly authorized

EXHIBIT A

Plan Showing Lot
(to be provided to Tenant by Landlord upon the Transfer)

EXHIBIT A-1

Legal Description of Lot

A parcel of land which is partially registered and partially unregistered land, located at Waverly Street, Cambridge, Middlesex County, Commonwealth of Massachusetts, and being shown as (i) Lot 1 on a plan of land entitled "Subdivision Plan of Land, Cambridge, Massachusetts," dated April 21, 1998, by Harry R. Feldman, Inc., recorded with the Middlesex South District Registry of Deeds as Plan No. 666, (ii) Lot 2 as shown on Land Court Plan No. 19338B filed with the Middlesex South Registry District of the Land Court in Book ___, Page ___, (iii) Lot 3 and Lot 5 as shown on Land Court Plan No. 19105C filed with the Middlesex South Registry District of the Land Court in Book _____, Page ____, (iv) the lot shown on Plan No. 20185A filed with Middlesex South Registry District of the Land Court in Book 383, Page 525, (v) the lot shown on Plan No. 10431A filed with Middlesex South Registry District of the Land Court in Book 383, Page 489, (vi) the lot shown on Plan No. 20634A filed with Middlesex South Registry District of the Land Court in Book 423, Page 437, (vii) the lot shown on Plan No. 21997A filed with Middlesex South Registry District of the Land Court in Book 467, Page 65, (viii) the lot shown on Plan No. 25241A filed with Middlesex South Registry District of the Land Court in Book 554, Page 138, (ix) the lot shown on Plan No. 31443A filed with Middlesex South Registry District of the Land Court in Book 677, Page 136, and (x) the lot shown on Plan No. 40865A filed with Middlesex South Registry District of the Land Court in Book 973, Page 112.

The Phase II Parcel is subject to and has the benefit of the easement and restrictions of record insofar as in force and effect.

EXHIBIT B

Landlord's Plans

Base Building Specifications Outline dated March 16, 1998 and Base Building Construction Drawings dated March 27, 1998, copies of which have been delivered by Landlord to Tenant.

EXHIBIT C

RULES AND REGULATIONS

1. The entrances, lobbies, elevators, sidewalks, and stairways of the Building shall not be encumbered or obstructed by Tenant, Tenant's agents, servants, employees, licensees or visitors or used by them for any purposes other than ingress or egress to and from the Building.

2. Landlord reserves the right to have Landlord's structural engineer review Tenant's floor loads on the Building at Tenant's expense.

3. Tenant, or the employees, agents, servants, visitors or licensees of Tenant shall not at any time place, leave or discard any rubbish, paper, articles, or objects of any kind whatsoever outside of the Building. Bicycles shall not be permitted in the Building.

4. Tenant shall not place objects against glass partitions or doors or windows or adjacent to any common space which would be unsightly from the exterior of the Building and will promptly remove the same upon notice from Landlord.

5. Tenant shall not make noises, cause disturbances, create vibrations, odors or noxious fumes or use or operate any electric or electrical devices or other devices that emit sound waves or that would interfere with the operation of any device or equipment or radio or television broadcasting or reception from or within the Building or elsewhere, or with the operation of roads or highways in the vicinity of the Building and shall not place or install any projections, antennae, aerials, or similar devices inside or outside of the Building, without the prior written approval of Landlord.

6. Tenant shall not: (a) use the Building for lodging, or for any immoral or illegal purposes; (b) use the Building to engage in the manufacture or sale of spirituous, fermented, intoxicating or alcoholic beverages in the Building; (c) use the Building to engage in the manufacture or sale of, or permit the use of, any illegal drugs on the Building.

7. No awning or other projections shall be attached to the outside walls or windows. No curtains, blinds, shades, screens or signs, other than those, if any, furnished by Landlord, shall be attached to, hung in, or used in connection with any exterior window or door of the Building without the prior written consent of Landlord. No sign, advertisement, object, notice or other lettering shall be exhibited, inscribed, painted or affixed on any part of the outside or inside of the Building if visible from outside of the Building without the prior written consent of Landlord.

8. Door keys for doors in the Building will be furnished on the Commencement Date by Landlord. If Tenant shall affix additional locks on doors then Tenant shall furnish Landlord with copies of keys for said locks.

10. Tenant shall cooperate and participate in all reasonable security programs affecting the Building.

11. Tenant assumes full responsibility for protecting its space from theft, robbery and pilferage, which includes keeping doors locked and other means of entry to its space in the Building closed and secured.

12. The water and wash closets and other plumbing fixtures shall not be used for any purposes other than those for which they were constructed, and no sweepings, rubbish, rags, or other substances shall be thrown therein.

13. Discharge of industrial sewage shall only be permitted if Tenant, at its sole expense, shall have obtained all necessary permits and licenses therefor, including without limitation permits from state and local authorities having jurisdiction thereof.

14. Tenant shall not mark, paint, drill into, or in any way deface any part of the Building or Premises. No boring, driving of nails or screws, cutting or stringing of wires shall be permitted except with the prior written consent of Landlord not to be unreasonably withheld, and as Landlord may direct. Tenant shall not install any resilient tile or similar floor covering in the Premises except with the prior written approval of Landlord not to be unreasonably withheld. The use of asbestos containing cement or other similar asbestos containing adhesive material is expressly prohibited.

15. In the event of any conflict between the provisions of this EXHIBIT C and the provisions of the Lease, the provisions of the Lease shall govern.

EXHIBIT D

SCHEDULE OF FLOOR LOAD LIMITS

EXHIBIT E

SCHEDULE OF EQUIPMENT TO BE REMOVED BY TENANT
(Tenant to Provide for Landlord's Approval)

5

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S QUARTERLY REPORT ON FORM 10Q FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000
US DOLLARS

9-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
1
22,369
165,745
4,790
0
0
194,126
56,091
32,479
224,848
13,071
0
0
0
0
256
206,520
224,848
5,054
32,018
1,926
74,699
0
0
511
(42,681)
0
(42,681)
0
0
0
(42,681)
(1.68)
(1.68)

Exhibit 99

November 15, 1999
Securities and Exchange Commission
450 Fifth Street, N.W.
Washington, D.C. 20549

Commissioners:

We are aware that our report dated October 26, 1999 on our review of interim financial information of Vertex Pharmaceuticals Incorporated (the "Company") as of and for the period ended September 30, 1999 and included in the Company's quarterly report on Form 10-Q for the quarter then ended is incorporated by reference in its registration statements on Form S-8 (File Nos. 33-48030, 33-48348, 33-65742, 33-93224, 33-12325, 333-27011, 333-56179 and 333-79549). Pursuant to Rule 436(c) under the Securities Act of 1933, this report should not be considered a part of the registration statement prepared or certified by us within the meaning of Sections 7 and 11 of that Act.

Very truly yours,

PRICEWATERHOUSECOOPERS LLP

Boston MA