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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED June 30, 2008

OR

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

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 000-19319

VERTEX PHARMACEUTICALS INCORPORATED

(Exact name of registrant as specified in its charter)

MASSACHUSETTS (State or other jurisdiction of incorporation or organization)	**04-3039129** (I.R.S. Employer Identification No.)
130 WAVERLY STREET **CAMBRIDGE, MASSACHUSETTS** (Address of principal executive offices)	**02139-4242** (zip code)

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

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

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

Large accelerated filer ☒	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Common Stock, par value $0.01 per share Class	**141,529,503** Outstanding at August 6, 2008

VERTEX PHARMACEUTICALS INCORPORATED
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2008
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"We," "us," the "Company" and "Vertex" as used in this Quarterly Report on Form 10-Q, refer to Vertex Pharmaceuticals Incorporated, a Massachusetts corporation, and its subsidiaries.

Part I. Financial Information

Item 1. Financial Statements

Vertex Pharmaceuticals Incorporated

Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands, except share and per share amounts)

	June 30, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	$ 549,632	$ 355,663
Marketable securities, available for sale, current portion	282,430	105,208
Accounts receivable	15,365	31,320
Prepaid expenses	10,201	4,660
Total current assets	857,628	496,851
Marketable securities, available for sale, excluding current portion	—	6,925
Restricted cash	30,258	30,258
Property and equipment, net	66,630	66,509
Other assets	16,289	934
Total assets	$ 970,805	$ 601,477
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 36,345	$ 32,750
Accrued expenses and other current liabilities	78,533	98,350
Accrued interest	5,121	—
Deferred revenues, current portion	35,575	25,528
Accrued restructuring expense, current portion	6,010	5,606
Collaborator development loan (due May 2008)	—	19,997
Other obligations	21,310	17,048
Total current liabilities	182,894	199,279
Accrued restructuring expense, excluding current portion	28,480	29,686
Convertible senior subordinated notes (due February 2013)	287,500	—
Deferred revenues, excluding current portion	232,006	101,217
Total liabilities	730,880	330,182
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.01 par value; 1,000,000 shares authorized; none issued and outstanding at June 30, 2008 and December 31, 2007, respectively	—	—
Common stock, $0.01 par value; 300,000,000 and 200,000,000 shares authorized at June 30, 2008 and December 31, 2007, respectively; 141,119,323 and 132,875,540 shares issued and outstanding at June 30, 2008 and December 31, 2007, respectively	1,392	1,312
Additional paid-in capital	2,013,115	1,856,856
Accumulated other comprehensive income	647	881
Accumulated deficit	(1,775,229)	(1,587,754)
Total stockholders' equity	239,925	271,295
Total liabilities and stockholders' equity	$ 970,805	$ 601,477

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 June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Revenues:				
Royalty revenues	$ 9,741	$ 10,967	$ 20,592	$ 20,763
Collaborative and other research and development revenues	59,668	27,229	90,492	86,243
Total revenues	69,409	38,196	111,084	107,006
Costs and expenses:				
Royalty expenses	3,701	3,401	7,277	6,670
Research and development expenses	127,132	136,187	241,714	268,765
Sales, general and administrative expenses	28,889	23,322	50,512	39,859
Restructuring expense	1,168	906	1,798	5,961
Total costs and expenses	160,890	163,816	301,301	321,255
Loss from operations	(91,481)	(125,620)	(190,217)	(214,249)
Interest income	3,993	8,423	8,489	17,545
Interest expense	(3,833)	(570)	(5,747)	(1,791)
Net loss	$ (91,321)	$ (117,767)	$ (187,475)	$ (198,495)
Basic and diluted net loss per common share	$ (0.66)	$ (0.91)	$ (1.37)	$ (1.56)
Basic and diluted weighted-average number of common shares outstanding	138,725	129,269	136,607	127,527

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

Vertex Pharmaceuticals Incorporated

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	Six Months Ended June 30,	
	2008	2007
Cash flows from operating activities:		
Net loss	$ (187,475)	$ (198,495)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization expense	15,668	13,173
Stock-based compensation expense	29,665	33,777
Other non-cash based compensation expense	2,613	2,391
Realized (gain) loss on marketable securities	(219)	219
Changes in operating assets and liabilities:		
Accounts receivable	15,955	25,734
Prepaid expenses	(5,541)	(3,644)
Accounts payable	3,595	2,386
Accrued expenses and other current liabilities	(15,558)	(600)
Accrued restructuring expense	(802)	3,241
Accrued interest	5,121	(1,097)
Deferred revenues	135,201	(13,228)
Net cash used in operating activities	(1,777)	(136,143)
Cash flows from investing activities:		
Purchases of marketable securities	(254,642)	(317,156)
Sales and maturities of marketable securities	84,372	417,330
Expenditures for property and equipment	(15,062)	(19,287)
Other assets	(946)	(717)
Net cash (used in) provided by investing activities	(186,278)	80,170
Cash flows from financing activities:		
Issuances of common stock from employee benefit plans, net	11,989	11,533
Issuances of common stock from stock offering, net	112,069	—
Issuances of convertible senior subordinated notes, net	278,000	—
Repayment of collaborator development loan	(19,997)	—
Debt exchange costs	—	(53)
Net cash provided by financing activities	382,061	11,480
Effect of changes in exchange rates on cash	(37)	40
Net increase (decrease) in cash and cash equivalents	193,969	(44,453)
Cash and cash equivalents—beginning of period	355,663	213,171
Cash and cash equivalents—end of period	$ 549,632	$ 168,718
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ —	$ 2,767

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

1. Basis of Presentation

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

The condensed consolidated financial statements reflect the operations of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Certain information and footnote disclosures normally included in the Company's annual financial statements have been condensed or omitted. The interim financial statements, in the opinion of management, reflect all normal recurring adjustments (including accruals) necessary for a fair presentation of the financial position and results of operations for the interim periods ended June 30, 2008 and 2007.

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 ending December 31, 2008. These interim financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2007, which are contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 that was filed with the Securities and Exchange Commission (the "SEC") on February 11, 2008.

2. Accounting Policies

Basic and Diluted Net Loss per Common Share

Basic net loss per common share is based upon the weighted-average number of common shares outstanding during the period, excluding restricted stock that has been issued but has not yet vested. Diluted net loss per common share is based upon the weighted-average number of common shares outstanding during the period plus additional weighted-average common equivalent shares outstanding during the period when the effect of adding such shares is dilutive. Common equivalent shares result from the assumed exercise of outstanding stock options (the proceeds of which are then assumed to have been used to repurchase outstanding stock using the treasury stock method), the assumed conversion of convertible notes and vesting of unvested restricted shares of common stock. Common equivalent shares have not been included in the net loss per common share calculations because the effect of including such shares would have been anti-dilutive. Total potential gross common equivalent shares consisted of the following (in thousands, except per share amounts):

	At June 30,	
	2008	2007
Stock options	16,516	15,197
Weighted-average exercise price, per share	$ 28.02	$ 27.76
Convertible notes	12,425	456
Conversion price, per share	$ 23.14	$ 92.26
Unvested restricted shares	1,943	1,624

2. Accounting Policies (Continued)

Stock-based Compensation Expense

The Company records stock-based compensation expense in accordance with Financial Accounting Standards Board ("FASB") Statement No. 123(R), "Share-Based Payment" ("SFAS 123(R)"). SFAS 123(R) requires companies to expense the fair value of employee stock options and other forms of stock-based employee compensation over the employees' service periods or the derived service period for awards with market conditions. Compensation expense is measured at the fair value of the award at the grant date, including estimated forfeitures, and is adjusted to reflect actual forfeitures and the outcomes of certain conditions. Please refer to Note 3, "Stock-based Compensation Expense," for further information.

Research and Development Expenses

All research and development expenses, including amounts funded by research and development collaborations, are expensed as incurred. On January 1, 2008, the Company adopted Emerging Issues Task Force ("EITF") Issue No. 07-3, "Accounting for Nonrefundable Advance Payments for Goods or Services to Be Used in Future Research and Development Activities," ("EITF 07-3"), using a prospective method. The adoption of EITF 07-3 did not have a material effect on the Company's condensed consolidated financial statements as of adoption. Pursuant to EITF 07-3, the Company defers and capitalizes nonrefundable advance payments made by the Company for research and development activities until the related goods are delivered or the related services are performed. Prior to the adoption of EITF 07-3, the Company expensed nonrefundable advance payments for research and development activities upon payment. Research and development expenses are comprised of costs incurred in performing research and development activities, including salary and benefits; stock-based compensation expense; laboratory supplies and other direct expenses; contractual services, including clinical trial and pharmaceutical development costs; commercial supply investment in telaprevir (which is included due to telaprevir's stage of development); and infrastructure costs, including facilities costs and depreciation expense.

The Company's collaborators have funded portions of the Company's research and development programs related to specific drug candidates and research targets, including telaprevir and certain cystic fibrosis research targets in the first six months of 2008, and telaprevir, VX-702, VX-770, kinases and certain cystic fibrosis research targets in the first six months of 2007. The Company's collaborative and other research and development revenues were $59.7 million and $27.2 million, respectively, for the three months ended June 30, 2008 and 2007, and $90.5 million and $86.2 million, respectively, for the six months ended June 30, 2008 and 2007. The Company's research and development expenses allocated to programs in which a collaborator funded at least a portion of the research and development expenses were $33.8 million and $68.3 million, respectively, for the three months ended June 30, 2008 and 2007, and $67.7 million and $149.9 million, respectively, for the six months ended June 30, 2008 and 2007.

Restructuring Expense

The Company records costs and liabilities associated with exit and disposal activities, as defined in FASB Statement No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" ("SFAS 146"), based on estimates of fair value in the period the liabilities are incurred. In periods

2. Accounting Policies (Continued)

subsequent to initial measurement, changes to the amount of the liability are measured using the credit-adjusted risk-free discount rate applied in the initial period. In the three and six months ended June 30, 2008 and 2007, the Company recorded costs and liabilities for exit and disposal activities related to a restructuring plan in accordance with SFAS 146. The liability is evaluated and adjusted as appropriate at least on a quarterly basis for changes in circumstances. Please refer to Note 7, "Restructuring Expense," for further information.

Revenue Recognition

The Company recognizes revenues in accordance with the SEC's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements," as amended by SEC Staff Accounting Bulletin No. 104, "Revenue Recognition," and for revenue arrangements entered into after June 30, 2003, EITF Issue No. 00-21, "Revenue Arrangements with Multiple Deliverables" ("EITF 00-21").

The Company's revenues are generated primarily through collaborative research, development and/or commercialization agreements. The terms of these agreements typically include payment to the Company of one or more of the following: non-refundable, up-front license fees; funding of research and/or development efforts; milestone payments; and royalties on product sales.

Agreements containing multiple elements are divided into separate units of accounting if certain criteria are met, including whether the delivered element has stand-alone value to the collaborator and whether there is objective and reliable evidence of the fair value of the undelivered obligation(s). The consideration received is allocated among the separate units either on the basis of each unit's fair value or using the residual method, and the applicable revenue recognition criteria are applied to each of the separate units.

The Company recognizes revenues from non-refundable, up-front license fees on a straight-line basis over the contracted or estimated period of performance, which is typically the research or development term. Research and development funding is recognized as earned, ratably over the period of effort.

Substantive milestones achieved in collaboration arrangements are recognized as earned when the corresponding payment is reasonably assured, subject to the following policies in those circumstances where the Company has obligations remaining after achievement of the milestone:

- In those circumstances where collection of a substantive milestone payment is reasonably assured, the Company has remaining obligations to perform under the collaboration arrangement and the Company has sufficient evidence of the fair value for the performance of its remaining obligations, management considers the milestone payment and the remaining obligations to be separate units of accounting. In these circumstances, the Company uses the residual method under EITF 00-21 to allocate revenue among the milestones and the remaining obligations.

- In those circumstances where collection of a substantive milestone payment is reasonably assured and the Company has remaining obligations to perform under the collaboration arrangement, but the Company does not have sufficient evidence of the fair value for its remaining obligations, management considers the milestone payment and the remaining obligations under

2. Accounting Policies (Continued)

the contract as a single unit of accounting. If the collaboration does not require specific deliverables at specific times or at the end of the contract term, but rather, the Company's obligations are satisfied over a period of time, substantive milestone payments are recognized over the period of performance. This typically results in a portion of the milestone payment being recognized as revenue on the date the milestone is achieved equal to the applicable percentage of the performance period that has elapsed as of the date the milestone is achieved, with the balance being deferred and recognized over the remaining period of performance.

At the inception of each agreement, the Company evaluates whether each milestone is substantive on the basis of the contingent nature of the milestone, specifically reviewing factors such as the scientific and other risks that must be overcome to achieve the milestone, as well as the level of effort and investment required. Milestones that are not considered substantive and that do not meet the separation criteria are accounted for as license payments and recognized on a straight-line basis over the remaining period of performance.

Payments received or reasonably assured after performance obligations are met completely are recognized as earned.

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

In the circumstance where the Company has sold its rights to future royalties under a license agreement and also maintains continuing involvement in the royalty arrangement (but not significant continuing involvement in the generation of the cash flows due to the purchaser), the Company defers recognition of the proceeds it receives for the royalty stream and recognizes these deferred revenues over the life of the license agreement. The Company recognizes these deferred revenues pursuant to the "units-of-revenue" method in accordance with EITF Issue No. 88-18 "Sales of Future Revenues" ("EITF 88-18"). Under this method, the amount of deferred revenues to be recognized as royalty revenues in each period is calculated by multiplying the following: (1) the ratio of the remaining deferred revenue amount to the total estimated remaining royalty payments due to the purchaser over the term of the agreement by (2) the royalty payments due to the purchaser for the period.

Debt Issuance Costs and Royalty Sale Transaction Expenses

Debt issuance costs incurred to complete the Company's convertible subordinated note offerings are deferred and included in other assets on the condensed consolidated balance sheets. The debt issuance costs are amortized based on the effective interest method over the term of the related debt issuance. The amortization expense related to the debt issuance costs is included in interest expense on the condensed consolidated statements of operations.

The Company defers direct and incremental costs associated with its transaction to sell its future rights to a royalty stream by analogy to FASB Technical Bulletin No. 90-1, "Accounting for Separately Priced Extended Warranty and Product Maintenance Contracts." These costs are included in other assets on the condensed consolidated balance sheets. The transaction costs are amortized based on the

2. Accounting Policies (Continued)

"units-of-revenue" method in the same manner and over the same period in which the related deferred revenues are recognized as royalty revenues. The amortization expense related to the transaction expenses is included in royalty expense on the condensed consolidated statements of operations.

3. Stock-based Compensation Expense

At June 30, 2008, the Company had four stock-based employee compensation plans: the 1991 Stock Option Plan (the "1991 Plan"), the 1994 Stock and Option Plan (the "1994 Plan"), the 1996 Stock and Option Plan (the "1996 Plan") and the 2006 Stock and Option Plan (the "2006 Plan" and together with the 1991 Plan, the 1994 Plan and the 1996 Plan, collectively, the "Stock and Option Plans") and one Employee Stock Purchase Plan (the "ESPP"). On May 15, 2008, the Company's stockholders approved an increase in the number of shares of common stock authorized for issuance under the 2006 Plan of 6,600,000, to a total of 13,902,380 shares of common stock, and an increase under the ESPP of 2,000,000 shares. In connection with the Stock and Option Plans, the Company issues stock options and restricted stock awards with service conditions, which are generally the vesting periods of the awards. The Company also issues to certain members of senior management restricted stock awards that vest upon the earlier of the satisfaction of a market condition or a service condition ("PARS").

The Company records stock-based compensation expense in accordance with SFAS 123(R). SFAS 123(R) requires companies to recognize share-based payments to employees as compensation expense using the "fair value" method. The fair value of stock options and shares purchased pursuant to the ESPP is calculated using the Black-Scholes valuation model. The fair value of restricted stock awards is typically based on intrinsic value on the date of grant. Under the fair value recognition provisions of SFAS 123(R), stock-based compensation, measured at the grant date based on the fair value of the award, is recognized as expense ratably over the service period. The expense recognized over the service period includes an estimate of awards that will be forfeited.

For PARS awards, a portion of the fair value of the common stock on the date of grant is recognized ratably over a derived service period that is equal to the estimated time to satisfy the market condition. The portion of the fair value of the common stock that is recognized over the derived service period is determined on the basis of the estimated probability that the PARS award will vest as a result of satisfying the market condition. For the PARS awards granted in 2008, 2007 and 2006, the derived service period relating to each market condition was shorter than the four-year service-based vesting period of the PARS. The difference between the fair value of the common stock on the date of grant and the value recognized over the derived service period is recognized ratably over the four-year service-based vesting period of the PARS. The stock-based compensation expense recognized over each of the derived service periods and the four-year service periods includes an estimate of awards that will be forfeited prior to the end of the derived service periods or the four-year service periods, respectively.

3. Stock-based Compensation Expense (Continued)

The effect of recording stock-based compensation expense for the three and six months ended June 30, 2008 and 2007 was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock-based compensation expense by type of award:				
Stock options	$ 11,739	$ 13,079	$ 20,027	$ 21,386
Restricted shares	4,126	7,688	7,925	11,028
ESPP issuances	728	690	1,713	1,363
Total stock-based compensation expense	$ 16,593	$ 21,457	$ 29,665	$ 33,777
Effect of stock-based compensation expense by line item:				
Research and development expenses	$ 13,858	$ 17,638	$ 24,688	$ 27,940
Sales, general and administrative expenses	2,735	3,819	4,977	5,837
Total stock-based compensation expense included in net loss	$ 16,593	$ 21,457	$ 29,665	$ 33,777

Stock Options

All stock options awarded during the six months ended June 30, 2008 and 2007 were awarded with exercise prices equal to the fair market value of the Company's common stock on the date the award was made by the Company's board of directors. Under amendments to the 2006 Plan adopted on May 15, 2008, no options can be issued with an exercise price less than the fair market value on the date of grant.

The stock options granted during the six months ended June 30, 2008 included options to purchase 536,625 shares of common stock (the "Contingent Options") at an exercise price of $18.93 per share that were granted to the Company's executive officers on February 7, 2008, subject to ratification by the Company's stockholders. At the Company's 2008 Annual Meeting of Stockholders, the stockholders ratified the Contingent Options as part of the Company's proposal to increase the number of shares authorized for issuance under the 2006 Plan. Under SFAS 123(R), the Contingent Options are deemed for accounting purposes to have been granted on May 15, 2008 (the date of ratification by the Company's stockholders), and the grant date fair value of the Contingent Options is based on a Black-Scholes valuation model based on the fair market value of the Contingent Options on May 15, 2008.

The options granted during the three and six months ended June 30, 2008 had a weighted-average grant date fair value of $16.34 and $12.60 per share, respectively. The options granted during the three and six months ended June 30, 2007 had a weighted-average grant date fair value of $16.21 and $19.32 per share, respectively.

In accordance with SFAS 123(R), the Company recorded stock-based compensation expense related to stock options of $11.7 million and $13.1 million, respectively, for the three months ended June 30, 2008 and 2007, and $20.0 million and $21.4 million, respectively, for the six months ended June 30, 2008 and 2007. The stock-based compensation expense related to stock options for the three and six months ended June 30, 2007 included $1.9 million related to stock options accelerated in

3. Stock-based Compensation Expense (Continued)

connection with an executive officer's severance arrangement. As of June 30, 2008, there was $73.3 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested options granted under the Company's Stock and Option Plans. That expense is expected to be recognized over a weighted-average period of 2.73 years.

Restricted Stock

The Company recorded stock-based compensation expense of $4.1 million and $7.7 million, respectively, for the three months ended June 30, 2008 and 2007, and $7.9 million and $11.0 million, respectively, for the six months ended June 30, 2008 and 2007, related to restricted shares outstanding during those periods. The stock-based compensation expense related to restricted stock for the three and six months ended June 30, 2008 included $0.6 million related to accelerated vesting of restricted stock awards in connection with an executive officer's anticipated separation from the Company in the fourth quarter of 2008. The stock-based compensation expense related to restricted stock for the three and six months ended June 30, 2007 included $1.4 million related to accelerated vesting of restricted stock awards in connection with an executive officer's severance arrangement.

As of June 30, 2008, there was $27.6 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to unvested restricted stock granted under the Company's Stock and Option Plans. That expense is expected to be recognized over a weighted-average period of 2.51 years.

Employee Stock Purchase Plan

The stock-based compensation expense related to the ESPP was $0.7 million for each of the three months ended June 30, 2008 and 2007 and $1.7 million and $1.4 million, respectively, for the six months ended June 30, 2008 and 2007. As of June 30, 2008, there was $2.1 million of total unrecognized stock-based compensation expense, net of estimated forfeitures, related to ESPP shares. That expense is expected to be recognized during the twelve months ending June 30, 2009.

During the three and six months ended June 30, 2008, the Company issued 185,000 shares to employees under the ESPP at an average price paid of $22.55 per share. During the three and six months ended June 30, 2007, the Company issued 139,000 shares to employees under the ESPP at an average price paid of $25.80 per share.

4. Fair Value of Financial Instruments

On January 1, 2008, the Company adopted FASB Statement No. 157, "Fair Value Measurements" ("SFAS 157"), which establishes a framework for measuring the fair value of assets and liabilities pursuant to GAAP and expands the required disclosure regarding assets and liabilities that are measured at fair value. SFAS 157 became applicable to the Company's financial assets and liabilities on January 1, 2008 and is expected to become applicable to the Company's nonfinancial assets and liabilities on January 1, 2009.

SFAS 157 did not change the standard for determining whether assets and liabilities should be recorded at cost or at fair value. For assets and liabilities required to be disclosed at fair value, SFAS 157 introduced, or reiterated, a number of key concepts that form the foundation of the fair

4. Fair Value of Financial Instruments (Continued)

value measurement approach. In accordance with SFAS 157, the fair value of the Company's financial assets and liabilities reflects the Company's estimate of amounts that it would have received in connection with the sale of the assets or paid in connection with the transfer of the liabilities in an orderly transaction between market participants at the measurement date. In connection with measuring the fair value of its assets and liabilities, the Company seeks to maximize the use of observable inputs (market data obtained from sources independent from the Company) and to minimize the use of unobservable inputs (the Company's assumptions about how market participants would price assets and liabilities). SFAS 157 establishes the following fair value hierarchy for the use of observable inputs and unobservable inputs in valuing assets and liabilities:

Level 1: Quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: Observable inputs other than Level 1 inputs. Examples of Level 2 inputs include quoted prices for similar assets or liabilities and quoted prices for identical assets or liabilities in markets that are not active.

Level 3: Unobservable inputs based on the Company's assessment of the assumptions that market participants would use in pricing the asset or liability.

As of June 30, 2008, all of the Company's financial assets that were subject to fair value measurements were valued using observable inputs and the Company had no financial liabilities that were subject to fair value measurement. The Company's financial assets valued based on Level 1 inputs included money market instruments, U.S. Treasury securities and U.S. government and other agency-backed securities. The Company's financial assets valued based on Level 2 inputs included commercial paper, corporate bonds, and asset-backed and mortgage-backed securities. The following table sets forth the Company's financial assets subject to fair value measurements as of June 30, 2008 (in thousands):

	Fair Value Measurements as of June 30, 2008			
		Fair Value Hierarchy		
	Total	Level 1	Level 2	Level 3
Financial assets carried at fair value:				
Cash equivalents	$468,828	$468,828	$ —	$ —
Marketable securities, available for sale	282,430	142,536	139,894	—
Restricted cash	30,258	30,258	—	—
Total	$781,516	$641,622	$139,894	$ —

The adoption of SFAS 157 did not have a material effect on the Company's condensed consolidated financial statements for the three or six months ended June 30, 2008.

In the first quarter of 2008, the Company also adopted the provisions of FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities—Including an Amendment of FASB Statement No. 115" ("SFAS 159"). SFAS 159 permits the Company to measure eligible assets and liabilities at fair value with changes in value recognized in earnings. Fair value treatment may be elected either upon initial recognition of an eligible asset or liability or, for an existing asset or liability,

4. Fair Value of Financial Instruments (Continued)

if an event triggers a new basis of accounting. In the six months ended June 30, 2008, the Company did not elect to re-measure any of its existing financial assets or liabilities under the provisions of SFAS 159.

5. Comprehensive Loss

For the three and six months ended June 30, 2008 and 2007, comprehensive loss was as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Net loss	$(91,321)	$(117,767)	$(187,475)	$(198,495)
Changes in other comprehensive (loss) income:				
Unrealized holding (losses) gains on marketable securities	(626)	(202)	632	256
Reclassification adjustment for realized (gain) loss on marketable securities included in net loss	(690)	29	(829)	71
Foreign currency translation adjustment	(30)	84	(37)	40
Total change in other comprehensive (loss) income	(1,346)	(89)	(234)	367
Total comprehensive loss	$(92,667)	$(117,856)	$(187,709)	$(198,128)

6. Income Taxes

Effective January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109" ("FIN 48"). At June 30, 2008 and December 31, 2007, the Company had no material unrecognized tax benefits and no adjustments to liabilities or operations were required under FIN 48. The Company does not expect that its unrecognized tax benefits will materially increase within the next twelve months. The Company did not recognize any interest or penalties related to uncertain tax positions at June 30, 2008 and December 31, 2007.

The Company files United States federal income tax returns and income tax returns in various state, local, and foreign jurisdictions. The Company is no longer subject to any tax assessment from an income tax examination in any major taxing jurisdiction for years before 2003, except to the extent that in the future it utilizes net operating losses or tax credit carryforwards that originated before 2004. The Company currently is not under examination by the Internal Revenue Service or other jurisdictions for any tax years.

7. Restructuring Expense

In June 2003, the Company adopted a plan to restructure its operations to coincide with its increasing internal emphasis on advancing drug candidates through clinical development to commercialization. The restructuring was designed to re-balance the Company's relative investments in research and development to better support the Company's long-term strategy. The restructuring plan

7. Restructuring Expense (Continued)

included a workforce reduction, write-offs of certain assets and a decision not to occupy approximately 290,000 square feet of specialized laboratory and office space in Cambridge, Massachusetts under lease to the Company (the "Kendall Square Lease"). The Kendall Square Lease commenced in January 2003 and has a 15-year term. In the second quarter of 2005, the Company revised its assessment of its real estate requirements and decided to use approximately 120,000 square feet of the facility subject to the Kendall Square Lease (the "Kendall Square Facility") for its operations beginning in 2006. The remaining rentable square footage of the Kendall Square Facility currently is subleased to third parties.

The Company estimates the restructuring expense in accordance with SFAS 146. The restructuring expense incurred in the three and six months ended June 30, 2008 and 2007 relates only to the portion of the building that the Company is not occupying and does not intend to occupy for its operations. The remaining lease obligations, which are associated with the portion of the Kendall Square Facility that the Company occupies and uses for its operations, are recorded as rental expense in the period incurred.

In estimating the expense and liability under its Kendall Square Lease obligation, the Company estimated (i) the costs to be incurred to satisfy rental and build-out commitments under the lease (including operating costs), (ii) the lead-time necessary to sublease the space, (iii) the projected sublease rental rates, and (iv) the anticipated durations of subleases. The Company uses a credit-adjusted risk-free rate of approximately 10% to discount the estimated cash flows. The Company reviews its estimates and assumptions at least on a quarterly basis, and intends to continue such reviews until the termination of the Kendall Square Lease, and will make whatever modifications the Company believes necessary, based on the Company's best judgment, to reflect any changed circumstances. The Company's estimates have changed in the past, and may change in the future, resulting in additional adjustments to the estimate of the liability, and the effect of any such adjustments could be material. Changes to the Company's estimate of the liability are recorded as additional restructuring expense/(credit). In addition, because the Company's estimate of the liability includes the application of a discount rate to reflect the time value of money, the Company will record imputed interest costs related to the liability each quarter. These costs are included in restructuring expense on the Company's condensed consolidated statements of operations.

For the three months ended June 30, 2008, the Company recorded restructuring expense of $1.2 million, which was primarily the result of the imputed interest cost relating to the restructuring liability. The activity related to the restructuring liability for the three months ended June 30, 2008 was as follows (in thousands):

	Liability as of March 31, 2008	Cash payments in the second quarter of 2008	Cash received from subleases in the second quarter of 2008	Charge in the second quarter of 2008	Liability as of June 30, 2008
Lease restructuring liability	$ 34,809	$ (3,616)	$ 2,129	$ 1,168	$ 34,490

For the three months ended June 30, 2007, the Company recorded restructuring expense of $0.9 million, which was primarily the result of the imputed interest cost relating to the restructuring

7. Restructuring Expense (Continued)

liability. The activity related to the restructuring liability for the three months ended June 30, 2007 was as follows (in thousands):

	Liability as of March 31, 2007	Cash payments in the second quarter of 2007	Cash received from subleases in the second quarter of 2007	Charge in the second quarter of 2007	Liability as of June 30, 2007
Lease restructuring liability	$ 36,508	$ (3,269)	$ 2,169	$ 906	$ 36,314

For the six months ended June 30, 2008, the Company recorded restructuring expense of $1.8 million, which was primarily the result of the imputed interest cost relating to the restructuring liability. The activity related to the restructuring liability for the six months ended June 30, 2008 was as follows (in thousands):

	Liability as of December 31, 2007	Cash payments in the first half of 2008	Cash received from subleases in the first half of 2008	Charge in the first half of 2008	Liability as of June 30, 2008
Lease restructuring liability	$ 35,292	$(6,833)	$ 4,233	$ 1,798	$ 34,490

For the six months ended June 30, 2007, the Company recorded restructuring expense of $6.0 million, which was primarily the result of revising certain key estimates and assumptions about building operating costs for the remaining period of the lease commitment, as well as the imputed interest cost relating to the restructuring liability. The activity related to the restructuring liability for the six months ended June 30, 2007 was as follows (in thousands):

	Liability as of December 31, 2006	Cash payments in the first half of 2007	Cash received from subleases in the first half of 2007	Charge in the first half of 2007	Liability as of June 30, 2007
Lease restructuring liability	$ 33,073	$(6,466)	$ 3,746	$ 5,961	$ 36,314

8. Concurrent Debt and Equity Offerings

On February 19, 2008, the Company completed concurrent offerings of $287.5 million in aggregate principal amount of 4.75% convertible senior subordinated notes due 2013 (the "2013 Notes") and 6.9 million shares of common stock, which were sold at a price of $17.14 per share.

The convertible debt offering resulted in net proceeds of $278.0 million to the Company. The underwriting discount of $8.6 million and other expenses of $0.9 million related to the convertible debt offering were recorded as debt issuance costs and are included in other assets on the Company's

8. Concurrent Debt and Equity Offerings (Continued)

condensed consolidated balance sheets. The equity offering resulted in net proceeds of $112.1 million to the Company. The underwriting discount of $5.3 million and other expenses of $0.9 million related to the equity offering were recorded as an offset to additional paid-in-capital.

The 2013 Notes are convertible, at the option of the holder, into common stock at a price equal to approximately $23.14 per share, subject to adjustment. The 2013 Notes bear interest at the rate of 4.75% per annum, and the Company is required to make semi-annual interest payments on the outstanding principal balance of the 2013 Notes on February 15 and August 15 of each year, beginning on August 15, 2008. The 2013 Notes will mature on February 15, 2013.

On or after February 15, 2010, the Company may redeem the 2013 Notes at its option, in whole or in part, at the redemption prices stated in the indenture, plus accrued and unpaid interest, if any, to, but excluding, the redemption date. Holders may require the Company to repurchase some or all of their 2013 Notes upon the occurrence of certain fundamental changes of Vertex, as set forth in the indenture, at 100% of the principal amount of the 2013 Notes to be repurchased, plus any accrued and unpaid interest, if any, to, but excluding, the repurchase date.

If a fundamental change occurs that is also a specific type of change of control under the indenture, the Company will pay a make-whole premium upon the conversion of the 2013 Notes in connection with any such transaction by increasing the applicable conversion rate on such 2013 Notes. The make-whole premium will be in addition to, and not in substitution for, any cash, securities or other assets otherwise due to holders of the 2013 Notes upon conversion. The make-whole premium will be determined by reference to the indenture and is based on the date on which the fundamental change becomes effective and the price paid, or deemed to be paid, per share of the Company's common stock in the transaction constituting the fundamental change, subject to adjustment.

If an event of default under the indenture relates solely to the Company's failure to comply with its reporting obligations pursuant to the 2013 Notes, at the election of the Company, the sole remedy of the holders of the 2013 Notes for the first 180 days following such event of default would consist of the right to receive special interest at an annual rate equal to 1.0% of the outstanding principal amount of the 2013 Notes.

Based on the Company's evaluation of the 2013 Notes in accordance with EITF Issue No. 00-19, "Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company's Own Stock," and FASB Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities," the Company determined that the 2013 Notes contain a single embedded derivative. This embedded derivative relates to potential penalty interest payments that could be imposed on the Company for a failure to comply with its reporting obligations pursuant to the 2013 Notes. This embedded derivative required bifurcation as the feature was not clearly and closely related to the host instrument. The Company has determined that the value of this embedded derivative was nominal as of February 19, 2008, March 31, 2008 and June 30, 2008.

8. Concurrent Debt and Equity Offerings (Continued)

At June 30, 2008, the Company had outstanding $287.5 million in aggregate principal amount of the 2013 Notes. At June 30, 2008, the 2013 Notes had a fair value of $447.5 million as obtained from a quoted market source.

9. Convertible Subordinated Notes Due 2007 and 2011

On January 1, 2007, the Company had outstanding $59.6 million in aggregate principal amount of 5.75% convertible senior subordinated notes due in February 2011 (the "2011 Notes") and $42.1 million in aggregate principal amount of 5% convertible subordinated notes due in September 2007 (the "2007 Notes"). As of December 31, 2007, there were no remaining 2011 Notes or 2007 Notes outstanding.

The 2011 Notes were convertible, at the option of the holder, into common stock at a price equal to $14.94 per share. The 2011 Notes bore interest at the rate of 5.75% per annum, and the Company was required to make semi-annual interest payments on the outstanding principal balance of the 2011 Notes on February 15 and August 15 of each year. The 2007 Notes were convertible, at the option of the holder, into common stock at a price equal to $92.26 per share. The 2007 Notes bore interest at the rate of 5% per annum, and the Company was required to make semi-annual interest payments on the outstanding principal balance of the 2007 Notes on March 19 and September 19 of each year.

In the first quarter of 2007, the Company called all of the remaining outstanding 2011 Notes for redemption. In response and pursuant to the terms of the 2011 Notes, the holders of all the outstanding 2011 Notes converted, at a price equal to $14.94 per share, their $59.6 million in aggregate principal amount of 2011 Notes into 3,992,473 shares of the Company's common stock. The following items related to the 2007 conversion were recorded as an offset to additional paid-in capital on the Company's condensed consolidated balance sheets: accrued interest, remaining unamortized issuance costs of the converted notes and issuance costs of the common stock.

In the third quarter of 2007, the Company repaid upon maturity the outstanding principal and accrued interest on the remaining $42.1 million in principal amount of 2007 Notes.

10. Sale of HIV Protease Inhibitor Royalty Stream

In December 1993, the Company and GlaxoSmithKline plc ("GlaxoSmithKline") entered into a collaboration agreement to research, develop and commercialize HIV protease inhibitors, including Agenerase (amprenavir) and Lexiva/Telzir (fosamprenavir calcium). Under the collaboration agreement, GlaxoSmithKline agreed to pay the Company royalties on net sales of drugs developed under the collaboration.

The Company began earning a royalty from GlaxoSmithKline in 1999 on net sales of Agenerase, in the fourth quarter of 2003 on net sales of Lexiva, and in the third quarter of 2004 on net sales of Telzir. GlaxoSmithKline has the right to terminate its arrangement with the Company without cause upon twelve months' notice. Termination of the agreement by GlaxoSmithKline will relieve it of its obligation to make further payments under the collaboration agreement and will end any license granted to GlaxoSmithKline by the Company under the agreement. In June 1996, the Company and GlaxoSmithKline obtained a worldwide, non-exclusive license under certain G.D. Searle & Co.

10. Sale of HIV Protease Inhibitor Royalty Stream (Continued)

("Searle," now owned by Pharmacia/Pfizer) patents in the area of HIV protease inhibition. Searle is paid royalties based on net sales of Agenerase and Lexiva/Telzir.

On May 30, 2008, the Company entered into a purchase agreement (the "Purchase Agreement") with Fosamprenavir Royalty, L.P. ("Fosamprenavir Royalty") pursuant to which the Company sold, and Fosamprenavir Royalty purchased, the Company's right to receive royalty payments, net of royalty amounts to be earned and due to Searle, arising from sales of Lexiva/Telzir and Agenerase under the Company's 1993 agreement with GlaxoSmithKline, from April 1, 2008 to the end of the term of the license agreement, for a one-time cash payment of $160.0 million. In accordance with the Purchase Agreement, GlaxoSmithKline will make all royalty payments directly to Fosamprenavir Royalty. The Purchase Agreement also contains other representations, warranties, covenants and indemnification obligations. The Company continues to be obligated for royalty amounts earned and that are due to Searle, however in connection with this transaction, the Company has instructed GlaxoSmithKline to pay such amounts directly to Searle as they become due.

The Company classified the proceeds received from Fosamprenavir Royalty as deferred revenue, to be recognized as revenue over the life of the license agreement because of the Company's continuing involvement in the royalty arrangement over the term of the Purchase Agreement. Such continuing involvement, which is required pursuant to covenants contained in the Purchase Agreement, includes overseeing GlaxoSmithKline's compliance with the collaboration agreement, monitoring and defending patent infringement, adverse claims or litigation involving the royalty stream, undertaking to cooperate with Fosamprenavir Royalty's efforts to find a new license partner in the event that GlaxoSmithKline terminates the agreement, and compliance with the license agreement with Searle, including the obligation to make future royalty payments to Searle. Because the transaction was structured as a non-cancellable sale, the Company does not have significant continuing involvement in the generation of the cash flows due to Fosamprenavir Royalty and there are no guaranteed rates of return to Fosamprenavir Royalty, the Company has recorded the proceeds as deferred revenues pursuant to EITF 88-18.

The Company recorded $155.1 million, representing the proceeds of the transaction less the net royalty payable to Fosamprenavir Royalty for the period from April 1, 2008 through the May 30, 2008, as deferred revenues to be recognized as royalty revenues over the life of the license agreement under the "units-of-revenue" method. Under this method, the amount of deferred revenues to be recognized as royalty revenues in each period is calculated by multiplying the following: (1) the ratio of the remaining deferred revenue amount to the total estimated remaining net royalties that GlaxoSmithKline is expected to pay Fosamprenavir Royalty over the term of the agreement by (2) the royalty payments due to Fosamprenavir Royalty for the period. On May 31, 2008, the Company began recognizing these deferred revenues. In addition, the Company will continue to recognize royalty revenues for the portion of the royalty earned that is due to Searle.

The Company will recognize royalty expense in each period based on (i) deferred transaction expenses in the same manner and over the same period in which the related deferred revenues are recognized as royalty revenues plus (ii) the royalties paid by GlaxoSmithKline to Searle on net sales of Agenerase and Lexiva/Telzir for the period.

11. Significant Revenue Arrangements

Janssen Pharmaceutica, N.V.

In June 2006, the Company entered into a collaboration agreement with Janssen for the development, manufacture and commercialization of telaprevir, the Company's investigative hepatitis C virus protease inhibitor. Under the agreement, Janssen has agreed to be responsible for 50% of the drug development costs incurred under the development program for the parties' territories (North America for the Company, and the rest of the world, other than the Far East, for Janssen) and has exclusive rights to commercialize telaprevir in its territories including Europe, South America, the Middle East, Africa and Australia. Janssen made a $165.0 million up-front license payment to the Company in July 2006. The up-front license payment is being amortized over the Company's estimated period of performance under the collaboration agreement. Under the agreement, Janssen agreed to make contingent milestone payments, which could total up to $380.0 million if telaprevir is successfully developed, approved and launched as a product. As of June 30, 2008, the Company had earned $100.0 million of these contingent milestone payments under the agreement. The agreement also provides the Company with royalties on any sales of telaprevir in the Janssen territories, with a tiered royalty averaging in the mid-20% range, as a percentage of net sales in the Janssen territories, depending upon successful commercialization of telaprevir. Each of the parties will be responsible for drug supply in their respective territories. However, the agreement provides for the purchase by Janssen from the Company of materials required for Janssen's manufacture of the active pharmaceutical ingredient. In addition, Janssen will be responsible for certain third-party royalties on net sales in its territories. Janssen may terminate the agreement without cause at any time upon six months' notice to the Company.

During the three and six months ended June 30, 2008, the Company recognized $58.0 million and $83.5 million, respectively, in revenues under the Janssen agreement. The revenues for the three months ended June 30, 2008 included an amortized portion of the up-front payment, a milestone payment of $45.0 million in connection with the commencement of the Phase 3 clinical trial of telaprevir, and net reimbursements from Janssen for telaprevir development costs. The revenues for the six months ended June 30, 2008 included an amortized portion of the up-front payment, a milestone payment of $45.0 million in connection with the commencement of the Phase 3 clinical trial of telaprevir, a milestone payment of $10.0 million in connection with the commencement of the Phase 2 clinical trial of telaprevir in patients with genotype 2 and genotype 3 HCV infection, and net reimbursements from Janssen for telaprevir development costs. During the three and six months ended June 30, 2007, the Company recognized $22.7 million and $65.5 million, respectively, in revenues under the Janssen agreement. The revenues for the three months ended June 30, 2007, included an amortized portion of the up-front payment and net reimbursements from Janssen for telaprevir development costs. The revenues for the six months ended June 30, 2007, included an amortized portion of the up-front payment, a milestone payment of $15.0 million in connection with commencement of patient enrollment in the PROVE 3 clinical trial of telaprevir, and net reimbursements from Janssen for telaprevir development costs.

Merck & Co., Inc.

In June 2004, Vertex entered into a global collaboration with Merck to develop and commercialize Aurora kinase inhibitors for the treatment of cancer. Merck is responsible for worldwide clinical

11. Significant Revenue Arrangements (Continued)

development and commercialization of all compounds developed under the collaboration and will pay the Company royalties on any product sales. Merck may terminate the agreement at any time without cause upon 90 days' advance written notice, except that six months' advance written notice is required for termination at any time when a product has marketing approval in a major market and the termination is not the result of a safety issue. In the first quarter of 2007, Vertex received a milestone payment from Merck for $9.0 million. Vertex recognized no revenues related to this collaboration in the three months ended June 30, 2008 and 2007, respectively. Vertex recognized $0 and $9.0 million of revenues related to this collaboration in the six months ended June 30, 2008 and 2007, respectively.

12. Guarantees

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

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

12. Guarantees (Continued)

On June 7, 2005 and September 14, 2006, the Company entered into purchase agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated and on February 12, 2008, the Company entered into underwriting agreements with Merrill Lynch, Pierce, Fenner & Smith Incorporated (collectively, the purchase agreements and the underwriting agreements, the "Underwriting Agreements"), as the representative of the several underwriters named in such agreements, relating to the public offering and sale of shares of the Company's common stock or convertible subordinated notes. The Underwriting Agreement relating to each offering requires the Company to indemnify the underwriters against any loss they may suffer by reason of the Company's breach of representations and warranties relating to that public offering, the Company's failure to perform certain covenants in those agreements, the inclusion of any untrue statement of material fact in the prospectus used in connection with that offering, the omission of any material fact needed to make those materials not misleading, and any actions taken by the Company or its representatives in connection with the offering. The representations, warranties and covenants in the Underwriting Agreements are of a type customary in agreements of this sort. The Company believes the estimated fair value of these indemnification arrangements is minimal.

13. Contingencies

The Company has certain contingent liabilities that arise in the ordinary course of its business activities. The Company accrues a reserve for contingent liabilities when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. There were no contingent liabilities accrued at June 30, 2008 or December 31, 2007.

14. Legal Proceedings

On March 13, 2008, a purported shareholder class action, *Waterford Township Police Fire Retirement System v. Vertex Pharmaceuticals Incorporated, et al.*, was filed in the United States District Court for the District of Massachusetts, naming the Company and certain officers of the Company as defendants. The lawsuit alleges that the Company made material misrepresentations and/or omissions of material fact in the Company's disclosures leading up to its November 2, 2007 press release immediately preceding the American Association for the Study of Liver Diseases meeting, all in violation of Sections 10(b) and 20(a) of the Securities Exchange Act and Rule 10b-5 promulgated thereunder. On April 18, 2008, a further class action complaint based on the same factual allegations and naming the same defendants, but including further allegations of insider trading violations during the class period by three of the Company's officers, was filed in the United States District Court for the District of Massachusetts. These complaints were consolidated into a single lawsuit on May 29, 2008. A consolidated and amended complaint was filed on July 21, 2008, seeking certification as a class action, compensatory damages in an unspecified amount and unspecified equitable or injunctive relief. The Company believes that the claims, including the insider trading claims (all of which are based on trades that were made pursuant to plans entered into before the beginning of the class period under Rule 10b5-1), are without merit and intends to contest them vigorously. Moreover, the Company believes, based on information currently available, that the ultimate outcome of these lawsuits will not have a material impact on the Company's consolidated financial statements.

15. Recent Accounting Pronouncements

In September 2006, the FASB issued SFAS 157. SFAS 157 establishes a common definition for fair value to be applied under GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. Issued in February 2008, FASB Staff Position No. SFAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" removed leasing transactions accounted for under FASB Statement No. 13 and related guidance from the scope of SFAS 157. Issued in February 2008, FASB Staff Position No. SFAS 157-2, "Effective Date of FASB Statement No. 157," deferred the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The implementation of SFAS 157 for financial assets and financial liabilities, effective for the Company on January 1, 2008, did not have a material effect on the Company's condensed consolidated financial statements. The Company currently is evaluating the effect of SFAS 157 for nonfinancial assets and nonfinancial liabilities on the Company's consolidated financial statements. Please refer to Note 4, "Fair Value of Financial Instruments," for further information.

In December 2007, the FASB issued Statement No. 141 (Revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of business combinations. SFAS 141(R) is effective on a prospective basis for financial statements for the Company beginning on January 1, 2009. Accordingly, any business combination the Company enters into after December 31, 2008 would be subject to SFAS 141(R).

In December 2007, the FASB ratified the consensus reached by the EITF on EITF Issue No. 07-1, "Accounting for Collaborative Arrangements" ("EITF 07-1"). EITF 07-1 requires collaborators to present the results of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. Further, EITF 07-1 clarified the determination of whether transactions within a collaborative arrangement are part of a vendor-customer (or analogous) relationship subject to EITF Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." EITF 07-1 will be effective for the Company beginning on January 1, 2009. The Company currently is evaluating the effect of EITF 07-1 on its consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance and cash flows. SFAS 161 will be effective for the Company beginning on January 1, 2009. The Company currently is evaluating the effect of SFAS 161 on its consolidated financial statements.

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

Overview

We are in the business of discovering, developing and commercializing small molecule drugs for the treatment of serious diseases. Telaprevir, our lead drug candidate, is an oral hepatitis C protease inhibitor and one of the most advanced of a new class of antiviral treatments in clinical development that targets hepatitis C virus, or HCV, infection, a life-threatening disease. In March 2008, we began a Phase 3 clinical trial of telaprevir to evaluate 24-week telaprevir-based treatment regimens in treatment-naïve patients with genotype 1 HCV, and, with our collaborator Tibotec, we are initiating a Phase 3 clinical trial of telaprevir to evaluate telaprevir-based treatment in patients with genotype 1 HCV who failed prior treatment.

We have built a drug discovery capability that integrates biology, pharmacology, biophysics, chemistry, automation and information technologies in a coordinated manner, with the goal of more efficiently identifying promising drug candidates to address significant unmet medical needs. Using this drug discovery capability we have identified, among other drug candidates: telaprevir; VX-770 and VX-809, two novel drug candidates targeting cystic fibrosis, or CF; VX-500 and VX-813, two second generation HCV protease inhibitors; and VX-509, a novel Janus Kinase 3, or JAK3, inhibitor that targets immune-mediated inflammatory diseases, or IMID. We have a number of other drug candidates in clinical trials, preclinical studies or research programs, that are being investigated either by us or in collaboration with other pharmaceutical companies. We co-discovered fosamprenavir calcium, an HIV protease inhibitor that is being marketed by GlaxoSmithKline plc as Lexiva in the United States and Telzir in Europe. We are building our drug development, supply chain management and commercialization organizations to prepare for the potential commercial launch of telaprevir and to support the development of other drug candidates in our pipeline.

Our net loss for the three months ended June 30, 2008 was $91.3 million, which included stock-based compensation expense of $16.6 million and restructuring expense of $1.2 million. Our cash, cash equivalents and marketable securities were $832.1 million on June 30, 2008. We expect to incur substantial operating losses in the future. We expect that we will need significant additional capital in order to complete the development and commercialization of telaprevir and to continue the development of our other drug candidates.

Business Focus

We currently are focusing a significant portion of our financial and management resources on the development and potential commercialization of telaprevir. Prior to our development of telaprevir, we relied on pharmaceutical company collaborators to develop and market our drug candidates that advanced to late-stage clinical trials or commercialization. We are conducting a comprehensive global clinical development program for telaprevir in collaboration with Janssen Pharmaceutica, N.V., or Janssen, a Johnson & Johnson company, and Mitsubishi Tanabe Pharma Corporation. This program is designed to support potential registration of telaprevir by us in North America, and by our collaborators in international markets for treatment-naïve and treatment-experienced patients across a range of HCV genotypes. Although we believe that our development activities and the clinical trial data we have obtained to date have reduced the risks associated with obtaining marketing approval for telaprevir, we cannot be sure that our development of telaprevir will lead successfully to regulatory approval, or that obtaining regulatory approval will lead to commercial success. In 2008 and the following years, we expect to invest significant resources to expand our capabilities in clinical development, regulatory affairs, quality control and commercial operations and to build and manage a commercial supply chain as we continue development and prepare for the potential commercial launch of telaprevir. Completing development and successfully commercializing telaprevir in North America will require a substantial additional financial investment over the next several years.

In addition to telaprevir, we are investing significant research and development resources across a relatively broad array of therapeutic areas, due in part to the high risks associated with the biotechnology and pharmaceutical business and the relatively high potential for failure of any specific effort. This diversification strategy requires more significant financial resources than would be required if we pursued a more limited approach or focused exclusively on telaprevir. In particular, as a result of the promising interim data from Part 1 of the Phase 2a clinical trial of VX-770, we expect to significantly increase our investment in VX-770 during the second half of 2008 and in 2009. During the second half of 2008, we also expect to invest in the development of VX-809, VX-500, VX-813 and VX-509.

In the past, we have sought collaborator funding for a significant portion of our research activities, which required that we grant to those collaborators exclusive rights to develop and commercialize drug candidates generated by that research. In recent years, we have funded a greater proportion of our research programs using internal funds rather than collaborator funds. We expect to continue this approach to the extent we are able to do so in light of our financial and personnel resources. We adopted this strategy with the objective of retaining greater development control of, and commercial rights with respect to, those proprietary drug candidates that may meet our strategic internal investment criteria as in effect from time to time.

Discovery and Development Process

Discovery and development of a new pharmaceutical product is a lengthy and resource-intensive process, which may take 10 to 15 years or more. Throughout this entire process, potential drug candidates are subjected to rigorous evaluation, driven in part by stringent regulatory considerations, designed to generate information concerning efficacy, side-effects, proper dosage levels and a variety of other physical and chemical characteristics that are important in determining whether a drug candidate should be approved for marketing as a pharmaceutical product. The toxicity characteristics and profile of drug candidates at varying dose levels administered for varying periods of time also are monitored and evaluated during the nonclinical and clinical development process. Most chemical compounds that are investigated as potential drug candidates never progress into formal development, and most drug candidates that do advance into formal development never become commercial products. A drug candidate's failure to progress or advance may be the result of any one or more of a wide range of adverse experimental outcomes including, for example, the lack of sufficient efficacy against the disease target, the lack of acceptable absorption characteristics or other physical properties, difficulties in developing a cost-effective manufacturing or formulation method or the discovery of toxicities or side effects that are unacceptable for the disease indication being treated or that adversely affect the competitive commercial profile of the drug candidate.

Given the uncertainties of the research and development process, it is not possible to predict with confidence which, if any, of our current research and development efforts will result in marketable pharmaceutical products. We monitor the results of our discovery research and our nonclinical studies and clinical trials and frequently evaluate our portfolio investments in light of new data and scientific, business and commercial insights with the objective of balancing risk and potential. This process can result in relatively abrupt changes in focus and priority as new information becomes available and is analyzed and we gain additional insights into ongoing programs and potential new programs.

Clinical Development

Designing and coordinating large-scale clinical trials to determine the efficacy and safety of drug candidates and to support the submission of a New Drug Application, or NDA, requires significant financial resources, along with extensive technical and regulatory expertise and infrastructure. Prior to commencing a late-stage clinical trial of any drug candidate, we must work collaboratively with regulatory authorities, including the United States Food and Drug Administration, or FDA, in order to

identify the specific scientific issues that need to be addressed by the clinical trials in order to support continued development and approval of the drug candidate. These discussions typically occur over a period of months and can result in significant changes to planned clinical trial designs or timelines. In addition, even after agreement with respect to a clinical trial design has been reached, regulatory authorities may request additional clinical trials or changes to existing clinical trial protocols. If the data from our ongoing clinical trials or nonclinical studies regarding the safety or efficacy of our drug candidates are not favorable, we may be forced to delay or terminate the clinical development program, which, particularly in the case of telaprevir, would materially harm our business. Further, even if we obtain marketing approvals from the FDA and comparable foreign regulatory authorities in a timely manner, we cannot be sure that the drug will be commercially successful.

Each of our programs requires a significant investment of financial and personnel resources, time and expertise by us and/or any program collaborators to realize its full clinical and commercial value. Development investment at this stage is subject to the considerable risk that any one or more of our drug candidates will not progress to product registration due to a wide range of adverse experimental outcomes. This could place our entire investment in the drug candidate at risk. While we attempt to stage our investments to mitigate these financial risks, drug discovery and development by its nature is a very risky undertaking and staging of investment is not always possible or desirable. We expect to continue to evaluate and prioritize investment in our clinical development programs based on the emergence of new clinical and nonclinical data in each program throughout 2008 and in subsequent years.

Drug Candidates

HCV

Telaprevir Clinical Development

In March 2008, we began our international 3-arm Phase 3 clinical trial of telaprevir in treatment-naïve patients infected with genotype 1 HCV, which we refer to as the ADVANCE trial. This clinical trial was the first Phase 3 clinical trial initiated for an HCV protease inhibitor. The ADVANCE trial is designed to enroll approximately 1,050 treatment-naïve patients with genotype 1 HCV and is focused on 24-week telaprevir-based treatment regimens utilizing rapid viral response criteria to determine which patients will complete all treatment after 24 weeks. In addition, in the third quarter of 2008, we expect to begin enrollment in a clinical trial that will include evaluation of 24-week and 48-week telaprevir-based treatment regimens. This clinical trial is expected to enroll approximately 450 treatment-naïve patients with genotype 1 HCV. We expect to complete enrollment in both of these trials during the fourth quarter of 2008 and to have sustained viral response, or SVR, data from them in the first half of 2010.

Tibotec Pharmaceuticals Ltd., or Tibotec, a Johnson & Johnson company affiliated with Janssen, is initiating Phase 3 clinical development of telaprevir in Europe in patients with genotype 1 HCV who failed to achieve SVR with prior treatment with pegylated interferon, or peg-IFN, and ribavirin, or RBV. This clinical trial is focused on 48-week telaprevir-based regimens and is expected to enroll approximately 650 patients. We are in discussions with the FDA regarding the transition in the United States to Phase 3 clinical development in treatment-experienced patients. Following completion of those discussions, we plan to begin patient screening in the United States for the Tibotec trial in the third quarter of 2008.

Telaprevir Clinical Data

In April 2008, we presented data from our PROVE 1 and PROVE 2 clinical trials at the 43rd annual meeting of the European Association for the Study of the Liver (EASL). PROVE 1 and PROVE 2 were two Phase 2b clinical trials of telaprevir-based combination therapy in patients with

genotype 1 HCV that enrolled an aggregate of approximately 580 treatment-naïve patients. On an intent-to-treat basis, in the 24-week telaprevir-based treatment arms of PROVE 1 and PROVE 2, 61% and 68%, respectively, of patients achieved SVR. Our criteria for SVR require that the patients have undetectable HCV RNA levels—less than 10 IU/mL as measured by the Roche TaqMan® assay—24 weeks post-treatment. In the control arm of PROVE 1, on an intent-to-treat basis, 41% of patients achieved SVR, and in the control arm of PROVE 2, on an intent-to-treat basis, 48% of patients achieved undetectable HCV RNA levels at 12 weeks post-treatment.

In June 2008, we reported results of an interim analysis from PROVE 3, a randomized, double-blind, placebo-controlled Phase 2b clinical trial of telaprevir-based combination therapy in patients with genotype 1 HCV who did not achieve SVR with a previous treatment with peg-IFN and RBV. In the interim analysis, 52% (60 of 115) of patients who received treatment with a 24-week telaprevir-based regimen—12 weeks of telaprevir-based treatment followed by an additional 12 weeks of peg-IFN and RBV treatment—had undetectable HCV RNA levels 12 weeks post-treatment. Of the 115 patients, 66 were categorized as non-responders to prior treatment (defined as patients who never achieved undetectable HCV RNA during prior treatment, including null responders), 40 were prior relapsers (defined as patients who had undetectable HCV RNA at the completion of prior treatment, but relapsed during follow-up), and 9 were prior breakthroughs (defined as patients who had viral rebound during prior treatment). Among patients receiving the 24-week telaprevir-based regimen, 41% (27 of 66) of the prior non-responders, 73% (29 of 40) of prior relapsers, and 44% (4 of 9) of prior breakthroughs had undetectable HCV RNA levels 12 weeks post-treatment.

In the control arm (n=114), which is evaluating 48 weeks of peg-IFN and RBV only, available data indicate that 8% of patients had undetectable HCV RNA at week 12, and 30% had undetectable HCV RNA at week 36 on-treatment (intent-to-treat analysis). In prior studies of peg-IFN and RBV in treatment-failure patients, the proportion of patients who had undetectable HCV RNA at week 36 of treatment has been significantly higher than the proportion who ultimately achieved SVR. End-of-treatment and post-treatment data (including SVR rates) are not yet available for this study arm in PROVE 3.

In addition to the 24-week telaprevir-based regimen that includes ribavirin and the 48 week control arm described above, two other treatment regimens are being evaluated in PROVE 3: a 24-week telaprevir treatment arm without ribavirin, and a 48-week treatment arm that includes 24 weeks of telaprevir dosing in combination with peg-IFN and RBV. The interim analysis supports the inclusion of ribavirin in future studies of telaprevir-based regimens in treatment-failure patients, similar to what has been observed in treatment-naive subjects. In addition, available on-treatment results suggest that additional dosing of telaprevir beyond 12 weeks does not confer additional benefit to patients. Patient dosing has now been completed in PROVE 3 and all patients are now being followed post-treatment. We expect that PROVE 3 data will be the subject of a presentation at a medical conference later in 2008.

In our Phase 2 clinical trials, more than 700 patients with genotype 1 HCV have received a telaprevir-based combination treatment with peg-IFN and RBV. The adverse event profile has been generally consistent across these clinical trials. The most common adverse events reported more frequently in patients receiving telaprevir have been gastrointestinal events, skin events—rash and pruritus—and anemia. There have been reports of severe rashes in clinical trials involving telaprevir-based treatments. Other adverse events reported in our Phase 2 clinical trials were similar in type and frequency to those seen with peg-IFN and RBV treatment. In our Phase 2 clinical trials, the most common reason for discontinuation among patients receiving a telaprevir-based treatment regimen was rash, which has resulted in treatment discontinuations in 7% of patients in the telaprevir-based treatment arms.

Additional Telaprevir Trials

In the PROVE and ADVANCE clinical trials, the patients in the telaprevir-based treatment arms are being dosed with 750 mg of telaprevir three times daily. In order to explore the safety and antiviral activity of a twice-daily dosing regimen of telaprevir, Tibotec is conducting the C208 clinical trial in Europe. The C208 clinical trial is a four-arm Phase 2a clinical trial that enrolled approximately 160 treatment-naïve patients infected with genotype 1 HCV. A main objective of the C208 trial is to explore the safety and antiviral activity of a twice-daily dosing regimen of telaprevir—1,125 mg every 12 hours—in combination with peg-IFN and RBV, as compared to a three-times daily dosing regimen—750 mg every 8 hours—in combination with peg-IFN and RBV. Dosing through 12 weeks of treatment in all arms of the C208 clinical trial is complete. Based on an interim analysis conducted at 12 weeks, the type and frequency of adverse events across the clinical trial arms generally were consistent with those observed in previous clinical trials of telaprevir. No substantial differences in safety profile between twice-daily and three-times daily dosing regimens were observed. The interim analysis showed that greater than 80% of patients, on an intent-to-treat basis, achieved undetectable HCV RNA levels at weeks 4 and 12 in both the twice-daily and three-times daily dosing arms of telaprevir given in combination with pegylated interferon alfa-2a (pegasys) and RBV. We believe these data support continued clinical evaluation of twice-daily dosing of telaprevir. We expect that a complete analysis will be performed upon the conclusion of this clinical trial in 2009. We expect that interim data will be presented at a medical conference later in 2008.

Tibotec also is conducting two clinical trials of telaprevir in patients with different HCV genotypes. The first of these clinical trials is evaluating telaprevir-based treatment regimens in patients infected with genotype 4 HCV, and the second of these clinical trials is evaluating telaprevir-based treatment regimens in patients infected with genotype 2 or genotype 3 HCV. Enrollment is complete in both of these clinical trials.

Second-generation HCV Protease Inhibitors

We have completed a Phase 1a clinical trial of VX-500, an investigational HCV protease inhibitor, and expect to initiate a Phase 1b clinical trial of VX-500 in patients with HCV in the third quarter of 2008. We expect to initiate a Phase 1a clinical trial of another second-generation HCV protease inhibitor, VX-813, in the third quarter of 2008.

Cystic Fibrosis

We are evaluating VX-770 in a Phase 2a clinical trial. VX-770 is an investigational potentiator compound designed to enhance the activity of cystic fibrosis transmembrane regulator, or CFTR, proteins in patients with the G551D CF mutation, which leads to "gating defects". In March 2008, we announced interim results from Part 1 of the Phase 2a clinical trial of VX-770, which involved 20 patients with the G551D CF mutation. These data showed that patients in the trial receiving the highest dose of VX-770 over 14 days had a 10.1% improvement in lung function as measured by an increase in FEV(1), the lung function test most commonly used to monitor progression of airway disease in patients with CF. Patients receiving placebo showed a slight decrease in FEV(1). In addition, patients showed improved function of the CFTR protein, as measured by changes in sweat chloride levels, and by changes in chloride ion transport in the upper airway as measured by nasal potential difference. In patients receiving the highest dose of VX-770, sweat chloride levels decreased from a mean of 95.5 mmol/L at baseline to 53.2 mmol/L over the 14-day dosing period, and sweat chloride levels were reduced to below 60 mmol/L, which is the standard diagnostic cutoff for CF, in 6 of the 8 patients receiving the highest dose of VX-770. There was no notable change in sweat chloride levels in patients receiving placebo. In Part 1 of the Phase 2a clinical trial, VX-770 appeared to be well-tolerated over the 14-day duration of dosing, with observed adverse events being similar across both the VX-770 and placebo arms of the clinical trial.

We have completed enrollment in Part 2 of this Phase 2a clinical trial, in which 18 patients with the G551D mutation on at least one allele will be dosed with VX-770 for up to 28 days. We expect to complete dosing in the third quarter of 2008 and believe that data from Part 2 of this clinical trial will be available by the end of 2008. Depending on the results of this clinical trial, and based on discussions to date with regulatory authorities, we believe that we could reach agreement with those authorities on the initiation of a registration program for VX-770 in 2009.

Also in CF, we are evaluating VX-809, an investigational corrector compound designed to increase the concentration of CFTR proteins on the cell surface in patients with CF trafficking defects. We are conducting two Phase 1 clinical trials of VX-809 in healthy volunteers. The first clinical trial is a single and multiple-dose trial. The second is a single-dose clinical trial examining the pharmacokinetics and safety of a solid dosage form of VX-809. Depending on the results from these Phase 1 trials, we plan to initiate a single-dose pharmacokinetics and safety trial of VX-809 in patients with CF in the second half of 2008.

Immune-Mediated Inflammatory Diseases

VX-509 is a novel oral JAK3 inhibitor that we believe has the potential to be used in multiple IMID indications. We began a Phase 1a clinical trial of VX-509 in the second quarter of 2008.

Corporate Collaborations

Corporate collaborations have been and will continue to be an important component of our business strategy. In June 2006, we entered into a collaboration agreement with Janssen relating to telaprevir. Under our agreement with Janssen, we have retained exclusive commercial rights to telaprevir in North America, and we are leading the global clinical development program. Janssen has agreed to be responsible for 50% of the drug development costs under the planned development program for telaprevir in North America and the Janssen territories, to pay us contingent milestone payments based on successful development, approval and launch of telaprevir, and to be responsible for the commercialization of telaprevir outside of North America and the Far East. Janssen will also pay us royalties on any telaprevir product sales in Janssen's territories.

Our pipeline also includes the following drug candidates that are being developed by our collaborators:

- Aurora kinase inhibitors that are being investigated by Merck for oncology indications. In the second quarter of 2008, Merck initiated a Phase 1 clinical trial of MK-5108 (VX-689) in patients with advanced and/or refractory tumors. Merck has terminated development of the Aurora kinase inhibitor MK-0457 (VX-680) for the treatment of cancer.

- AVN-944 (VX-944), which is being investigated by Avalon Pharmaceuticals for oncology indications.

Financing Strategy

At June 30, 2008, we had $832.1 million of cash, cash equivalents and marketable securities, which was an increase of $364.3 million from $467.8 million at December 31, 2007. This increase was the result of net proceeds of $390.1 million from the sale in February 2008 of 6.9 million shares of our common stock and $287.5 million in aggregate principal amount of our 4.75% convertible senior subordinated notes due 2013, which we refer to as the 2013 Notes, and gross cash proceeds of $160.0 million we received in May 2008 in connection with the sale of our right to receive future royalty payments arising from sales of Lexiva/Telzir and Agenerase under our 1993 agreement with GlaxoSmithKline. These cash inflows were partially offset by cash used to fund our operations during the six months ended June 30, 2008 and the repayment of a $20.0 million collaborator development

loan in May 2008. As a result of the royalty sale transaction, we will not receive future cash royalty payments related to HIV protease inhibitors.

Because we have incurred losses from our inception and expect to incur losses for the foreseeable future, we are dependent in large part on our continued ability to raise significant funding to finance our research and development operations, our creation of a drug supply and commercial infrastructure and our overhead, and to meet our long-term contractual commitments and obligations. To date, we have secured funds principally through capital market transactions, strategic collaborative agreements, proceeds from the disposition of assets, investment income and the issuance of stock under our employee benefit programs.

We expect that our current cash, cash equivalents and marketable securities, in addition to amounts we expect to receive from our collaborators under existing contractual agreements, will be sufficient to fund our operations for at least the next twelve months. We expect that we will need significant additional capital in order to complete the development and any commercialization of telaprevir and to continue the development of our other drug candidates. We may raise additional capital from public offerings or private placements of our securities or other methods of financing. We cannot be sure that any such financing opportunities will be available on acceptable terms, if at all. If adequate funds are not available on acceptable terms, or at all, we may be required to curtail significantly or discontinue one or more of our research, drug discovery or development programs, including clinical trials, incur significant cash exit costs, or attempt to obtain funds through arrangements with collaborators or others that may require us to relinquish rights to certain of our technologies, drugs or drug candidates.

As part of our strategy for managing our capital structure, we have from time to time adjusted the amount and maturity of our debt obligations through new issues, privately negotiated transactions and market purchases, depending on market conditions and our perceived needs at the time. We expect to continue pursuing a general financial strategy that may lead us to undertake one or more additional transactions with respect to our outstanding debt obligations, and the amounts involved in any such transactions, individually or in the aggregate, may be material. Any such transactions may or may not be similar to transactions in which we have engaged in the past.

Critical Accounting Policies and Estimates

Our discussion and analysis of our financial condition and results of operations is based upon our condensed consolidated financial statements prepared in accordance with generally accepted accounting principles in the United States, or GAAP. The preparation of these financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reported periods. These items are monitored and analyzed by management for changes in facts and circumstances, and material changes in these estimates could occur in the future. Changes in estimates are reflected in reported results for the period in which they become known. We base our estimates on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from our estimates if past experience or other assumptions do not turn out to be substantially accurate. There were no material changes during the six months ended June 30, 2008 to our critical accounting policies as reported in our Annual Report on Form 10-K for the year ended December 31, 2007, except:

- In May 2008, we entered into a purchase agreement with Fosamprenavir Royalty, L.P. pursuant to which we sold, and Fosamprenavir Royalty purchased, our right to receive royalty payments, net of subroyalty amounts payable to a third party, arising from sales of Lexiva/Telzir and Agenerase under our 1993 agreement with GlaxoSmithKline, for a one-time cash payment of

$160.0 million. We deferred the recognition of $155.1 million of revenues in connection with this sale. On May 31, 2008, we began recognizing these deferred revenues under the "units-of-revenue" method. Under this method, the amount of deferred revenues to be recognized as royalty revenues in each period is calculated by multiplying the following: (1) the ratio of the remaining deferred revenue amount to the total estimated remaining net royalties that GlaxoSmithKline is expected to pay Fosamprenavir Royalty over the term of the agreement by (2) the net royalty payments due to Fosamprenavir Royalty for the period. Estimating the total remaining net royalties that GlaxoSmithKline will pay to Fosamprenavir Royalty requires the use of subjective estimates and assumptions, including estimates regarding the size of the potential market for HIV protease inhibitors, the competitive position of the HIV protease inhibitors with respect to currently approved drugs and drugs that may be approved in the future and the pricing of Lexiva/Telzir. Changes in the estimate of the total remaining net royalties that GlaxoSmithKline will pay to Fosamprenavir Royalty could have a material effect on the amount of deferred revenues we recognize in a particular period.

- The estimates related to our investment in Altus Pharmaceuticals Inc. do not relate to the periods presented in this Quarterly Report on Form 10-Q.

Results of Operations—Three and Six Months Ended June 30, 2008 Compared with Three and Six Months Ended June 30, 2007

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %
	(in thousands)				(in thousands)			
Revenues	$ 69,409	$ 38,196	$ 31,213	82%	$ 111,084	$ 107,006	$ 4,078	4%
Costs and expenses	160,890	163,816	(2,926)	(2)%	301,301	321,255	(19,954)	(6)%
Net interest income (expense)	160	7,853	(7,693)	(98)%	2,742	15,754	(13,012)	(83)%
Net loss	$ (91,321)	$(117,767)	$(26,446)	(22)%	$(187,475)	$(198,495)	$(11,020)	(6)%

The $26.4 million, or 22%, decrease in our net loss for the second quarter of 2008 as compared to the second quarter of 2007 was primarily the result of a $31.2 million increase in our revenues. The $11.0 million, or 6%, decrease in our net loss for the first half of 2008 as compared to the first half of 2007 was primarily the result of a $20.0 million decrease in our costs and expenses partially offset by a $13.0 million decrease in our net interest income (expense). We expect that our net loss for the second half of 2008 will be significantly higher than our net loss for the first half of 2008, because we expect that our costs and expenses will increase. Our second half costs and expenses will increase primarily because of increased costs related to the Phase 3 clinical trials of telaprevir and our advancement of the clinical development of VX-770, and our revenues from milestones and royalties will be lower than in the first six months of 2008.

Our net loss for the three months ended June 30, 2008 was $0.66 per basic and diluted common share compared to $0.91 per basic and diluted common share for the three months ended June 30, 2007. This decrease in net loss per common share for the second quarter of 2008 compared to the second quarter of 2007 was the result of the decreased net loss for the period and an increase in the basic and diluted weighted-average number of common shares outstanding from 129.3 million to 138.7 million, primarily due to our common stock offering in February 2008. Our net loss for the six months ended June 30, 2008 was $1.37 per basic and diluted common share compared to a net loss of $1.56 per basic and diluted common share for the six months ended June 30, 2007. This decrease in net loss per common share in the first half of 2008 compared to the first half of 2007 was a result of the decreased net loss in the period and an increase in the basic and diluted weighted-average number of common shares outstanding from 127.5 million to 136.6 million.

Our costs and expenses in the three and six months ended June 30, 2008 and June 30, 2007 included the following stock-based compensation expense and restructuring expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Stock-based compensation expense	$16,593	$21,457	$29,665	$33,777
Restructuring expense	$ 1,168	$ 906	$ 1,798	$ 5,961

Revenues

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %
	(in thousands)				(in thousands)			
Royalty revenues	$ 9,741	$ 10,967	$ (1,226)	(11)%	$ 20,592	$ 20,763	$ (171)	(1)%
Collaborative and other research and development revenues	59,668	27,229	32,439	119%	90,492	86,243	4,249	5%
Total revenues	$ 69,409	$ 38,196	$ 31,213	82%	$ 111,084	$ 107,006	$ 4,078	4%

Our total revenues in recent periods have depended primarily on collaborative and other research and development revenues. On a quarterly basis our collaborative and other research and development revenues have fluctuated significantly based on the timing of significant milestone payments and the level of reimbursement we have received for our development programs.

Collaborative and Other Research and Development Revenues

The table presented below is a summary of revenues from collaborative arrangements for the three and six months ended June 30, 2008 and 2007 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
Janssen	$57,958	$22,717	$83,486	$65,538
Merck	—	—	—	9,000
Other	1,710	4,512	7,006	11,705
Total collaborative and other research and development revenues	$59,668	$27,229	$90,492	$86,243

The $32.4 million, or 119%, increase in our collaborative and other research and development revenues in the second quarter of 2008 compared to the second quarter of 2007 was the result of a $35.2 million increase in revenues from our Janssen collaboration partially offset by a $2.8 million decrease in revenues from other collaborative arrangements. The $4.2 million, or 5%, increase in our collaborative and other research and development revenues in the first half of 2008 was the result of a $17.9 million increase in our revenues from our Janssen collaboration partially offset by a $13.7 million decrease in our revenues from Merck and our other collaborative arrangements.

Our revenues from the Janssen collaboration agreement in each period consist of:

- development milestone payments, if any, recognized in the period;
- net reimbursements from Janssen for development costs of telaprevir; and
- an amortized portion of the $165.0 million up-front payment.

We recognized a $45.0 million milestone payment in connection with the commencement of our Phase 3 clinical trial in the second quarter of 2008, and we recognized a $10.0 million milestone payment in connection with the commencement of the Phase 2 clinical trial of telaprevir in patients with genotype 2 and genotype 3 HCV infection in the first quarter of 2008. In the first quarter of 2007, we recognized a $15.0 million milestone payment in connection with the commencement of patient enrollment in the PROVE 3 clinical trial of telaprevir. Partially offsetting the increased telaprevir milestone revenues in the three and six months ended June 30, 2008 as compared to the three and six months ended June 30, 2007, were decreased net reimbursements from Janssen in 2008. The decreased net reimbursements in the three and six months ended June 30, 2008 as compared to the three and six months ended June 30, 2008 were the result of our lower reimbursable external expenses related to telaprevir clinical trials and of Janssen's increased reimbursable expenses associated with the ongoing Phase 2 clinical trials being led by Tibotec. We expect that our reimbursable external expenses will increase in the second half of 2008 as expenses related to our Phase 3 clinical trials of telaprevir increase. During the second half of 2008, we expect to continue to recognize revenue from net reimbursements from Janssen for telaprevir development costs and an amortized portion of the $165.0 million upfront payment.

Our revenues from Merck and our other collaborative arrangements decreased substantially in the first half of 2008 compared to the first half of 2007 as a result of a $9.0 million milestone payment we received in the first quarter of 2007 for which there was no comparable milestone payment in the first

half of 2008. In addition, our revenues related to reimbursement of research and development activities decreased in the three and six months ended June 30, 2008 in comparison to the same periods in 2007 as a result of the completion of activities under our collaboration agreement with Cystic Fibrosis Foundation Therapeutics Incorporated in the first half of 2008. Except for collaboration agreements related to telaprevir, our existing collaboration agreements do not provide for significant future revenues for the reimbursement of research and development expenses.

Royalty Revenues

Our royalty revenues relate to sales of the HIV protease inhibitors Lexiva/Telzir and Agenerase by GlaxoSmithKline. Until May 30, 2008, these royalty revenues were based on actual and estimated worldwide net sales of Lexiva/Telzir and Agenerase. On May 30, 2008, we sold our right to receive future royalties from GlaxoSmithKline with respect to these HIV protease inhibitors, excluding the amount necessary to pay a third party a subroyalty on these net sales, for a one-time cash payment of $160.0 million. We deferred the recognition of $155.1 million of this revenue. We are recognizing this deferred revenue over the term of our agreement with GlaxoSmithKline under the "units-of-revenue" method. In addition, we will continue to recognize royalty revenues equal to the third-party subroyalty and to recognize a corresponding royalty expense for the third-party subroyalty.

The $1.2 million, or 11%, decrease in royalty revenues in the second quarter of 2008 compared to the second quarter of 2007 was due primarily to our sale of our HIV royalty stream, which affected our royalty revenues for the last month of the second quarter of 2008.

Costs and Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %
	(in thousands)				*(in thousands)*			
Royalty expenses	$ 3,701	$ 3,401	$ 300	9%	$ 7,277	$ 6,670	$ 607	9%
Research and development expenses	127,132	136,187	(9,055)	(7)%	241,714	268,765	(27,051)	(10)%
Sales, general and administrative expenses	28,889	23,322	5,567	24%	50,512	39,859	10,653	27%
Restructuring expense	1,168	906	262	29%	1,798	5,961	(4,163)	(70)%
Total costs and expenses	$160,890	$163,816	$ (2,926)	(2)%	$301,301	$321,255	$ (19,954)	(6)%

Our costs and expenses primarily relate to our research and development expenses and our sales, general and administrative expenses. We have been increasing the number of our employees, particularly in our development and commercialization organizations, leading to increases in expenses relating to our workforce. However, our total expenses have decreased in the second quarter and the first half of 2008 compared to the second quarter and first half of 2007, as a result of the timing of external expenses related to our clinical trials and our commercial supply investment in telaprevir. We expect that our expenses will increase in the second half of 2008 compared to the first half of 2008, as we continue increasing our headcount and as external expenses related to our lead drug candidates increase.

Research and Development Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %
	(in thousands)				(in thousands)			
Research expenses	$ 42,622	$ 42,632	$ (10)	0%	$ 82,966	$ 82,614	$ 352	0%
Development expenses	84,510	93,555	(9,045)	(10)%	158,748	186,151	(27,403)	(15)%
Total research and development expenses	$127,132	$136,187	$(9,055)	(7)%	$241,714	$268,765	$(27,051)	(10)%

The decreases in total research and development expenses in the three and six months ended June 30, 2008, compared to the three and six months ended June 30, 2007, were the result of decreased development expenses.

Research Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %
	(in thousands)				(in thousands)			
Research Expenses:								
Salary and benefits	$13,502	$12,318	$ 1,184	10%	$26,751	$25,163	$ 1,588	6%
Stock-based compensation expense	5,384	7,724	(2,340)	(30)%	10,165	12,903	(2,738)	(21)%
Laboratory supplies and other direct expenses	6,416	6,343	73	1%	12,695	12,226	469	4%
Contractual services	2,417	1,507	910	60%	4,549	3,564	985	28%
Infrastructure costs	14,903	14,740	163	1%	28,806	28,758	48	0%
Total research expenses	$42,622	$42,632	$ (10)	0%	$82,966	$82,614	$ 352	0%

In the second quarter and first half of 2008 compared to the same periods in 2007, increases in the research expenses related to salary and benefits and contractual services were offset by a decrease in stock-based compensation expense, resulting in total research expenses that were consistent period to period. Most of our research expenses relate to employee expenses and allocated infrastructure costs and are not dependent on the timing of clinical development activities.

Development Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %	2008	2007	Increase/ (Decrease) $	Increase/ (Decrease) %
	(in thousands)				*(in thousands)*			
Development Expenses:								
Salary and benefits	$16,851	$12,059	$ 4,792	40%	$ 33,136	$ 23,326	$ 9,810	42%
Stock-based compensation expense	8,474	9,914	(1,440)	(15)%	14,523	15,037	(514)	(3)%
Laboratory supplies and other direct expenses	9,393	7,479	1,914	26%	16,769	13,576	3,193	24%
Contractual services	27,121	32,069	(4,948)	(15)%	51,281	58,533	(7,252)	(12)%
Commercial supply investment in telaprevir	4,496	18,817	(14,321)	(76)%	8,807	50,538	(41,731)	(83)%
Infrastructure costs	18,175	13,217	4,958	38%	34,232	25,141	9,091	36%
Total development expenses	$84,510	$93,555	$ (9,045)	(10)%	$158,748	$ 186,151	$ (27,403)	(15)%

Our development expenses decreased by $9.0 million, or 10%, in the second quarter of 2008 as compared to the second quarter of 2007. This decrease in our development expenses was the result of a $14.3 million decrease in commercial supply investment in telaprevir, which has fluctuated significantly quarter-to-quarter over the past 18 months, and a $4.9 million decrease in contractual services, including clinical trial and pharmaceutical development costs, which was partially offset by increased expenses related to our increased headcount and increased infrastructure costs.

Our development expenses decreased by $27.4 million, or 15%, in the first half of 2008 as compared to the first half of 2007. This decrease in our development expenses was the result of a $41.7 million decrease in commercial supply investment in telaprevir and a $7.3 million decrease in contractual services, which were partially offset by increased expenses related to our increased headcount and increased infrastructure costs.

We expect that our development expenses will increase significantly in the second half of 2008 as compared to the first half of 2008 as a result of increased expenses related to the Phase 3 clinical trials of telaprevir and expenses related to commercial supply investment in telaprevir.

To date we have incurred in excess of $2.5 billion in research and development expenses associated with drug discovery and development. The successful development of our drug candidates is highly uncertain and subject to a number of risk factors. The duration of clinical trials may vary substantially according to the type, complexity and novelty of the drug candidate. The FDA and comparable agencies in foreign countries impose substantial requirements on the introduction of therapeutic pharmaceutical products, typically requiring lengthy and detailed laboratory and clinical testing procedures, sampling activities and other costly and time-consuming procedures. Data obtained from nonclinical and clinical activities at any step in the testing process may be adverse and lead to discontinuation or redirection of development activity. Data obtained from these activities also are susceptible to varying interpretations, which could delay, limit or prevent regulatory approval. The duration and cost of discovery, nonclinical studies and clinical trials may vary significantly over the life of a project and are difficult to predict. Therefore, accurate and meaningful estimates of the ultimate costs to bring our drug candidates to market are not available. The most significant costs associated with drug discovery and development are those costs associated with Phase 2 and Phase 3 clinical trials. Given the uncertainties related to development, we currently are unable to reliably estimate when, if ever, our drug candidates will generate revenues and net cash inflows.

Sales, General and Administrative Expenses

	Three Months Ended June 30,				Six Months Ended June 30,			
	2008	2007	Increase $	Increase %	2008	2007	Increase $	Increase %
		(in thousands)				*(in thousands)*		
Sales, general and administrative expenses	$28,889	$23,322	$5,567	24%	$50,512	$39,859	$10,653	27%

The increase in sales, general and administrative expenses in the second quarter and first half of 2008 compared to the same periods in 2007 are the result of increased headcount in support of our growth as we advance our drug candidates, particularly telaprevir, into late-stage development. We expect that our sales, general and administration expenses in 2008 will be significantly higher than in 2007, because we are continuing to build our capabilities in late-stage development, drug supply, quality control and safety monitoring and registration and commercialization of pharmaceutical products.

Royalty Expenses

Royalty expenses increased $0.3 million, or 9%, in the second quarter of 2008, compared to the second quarter of 2007, and by $0.6 million, or 9%, in the first half of 2008 compared to the first half of 2007. Royalty expenses relate to a subroyalty payable to a third party on net sales of Lexiva/Telzir and Agenerase, which we expect to continue to recognize as an expense in future periods.

Restructuring Expense

We recorded restructuring expense of $1.2 million for the three months ended June 30, 2008 compared to $0.9 million for the three months ended June 30, 2007. We recorded restructuring expense of $1.8 million for the six months ended June 30, 2008 compared to $6.0 million for the six months ended June 30, 2007. The restructuring expense in all periods included imputed interest cost related to the restructuring accrual associated with our Kendall Square lease. The increase in restructuring expense for the three months ended June 30, 2008 compared to the three ended June 30, 2007 was primarily the result of an adjustment in expected payments related to the consumer price index in the second quarter of 2008 for which there was no corresponding revision in the second quarter of 2007. The decrease in restructuring expense for the six months ended June 30, 2008 compared to the six months ended June 30, 2007 was primarily the result of a revision, in the first quarter of 2007, in certain key estimates and assumptions about building operating costs for the remaining period of the lease commitment, for which there was no corresponding revision in the first half of 2008. The lease restructuring liability was $34.5 million as of June 30, 2008.

In accordance with SFAS 146, we review our estimates and assumptions with respect to the Kendall Square lease at least on a quarterly basis, and will make whatever modifications we believe are necessary to reflect any changed circumstances, based on our best judgment, until the termination of the lease. Our estimates have changed in the past, and may change in the future, resulting in additional adjustments to the estimate of the liability, and the effect of any such adjustments could be material.

Non-Operating Items

Interest income decreased $4.4 million, or 53%, to $4.0 million for the three months ended June 30, 2008 from $8.4 million for the three months ended June 30, 2007. Interest income decreased $9.1 million, or 52%, to $8.5 million for the six months ended June 30, 2008 from $17.5 million for the six months ended June 30, 2007. The decreases are a result of lower portfolio yields during the 2008 periods partially offset by higher average levels of invested funds. Our cash, cash equivalents and

marketable securities yielded approximately 2.3% on an annual basis in the second quarter of 2008 compared to approximately 5.0% in the second quarter of 2007.

Interest expense increased $3.3 million, or 572%, to $3.8 million for the three months ended June 30, 2008 from $0.6 million for the three months ended June 30, 2007. Interest expense increased $4.0 million, or 221%, to $5.7 million for the six months ended June 30, 2008 from $1.8 million for the six months ended June 30, 2007. These increases were the result of the increase in the amount of our outstanding convertible debt from our issuance of $287.5 million in aggregate principal amount of 2013 Notes in February 2008. We expect interest expense to be higher during the remainder of 2008 as compared to 2007 due to our increased debt.

Liquidity and Capital Resources

We have incurred operating losses since our inception and historically have financed our operations principally through public and private offerings of our equity and debt securities, strategic collaborative agreements that include research and/or development funding, development milestones and royalties on the sales of products, strategic sales of assets or businesses, investment income and proceeds from the issuance of stock under our employee benefit programs. We expect that we will require significant additional capital in order to commercialize telaprevir and continue our planned activities in other areas.

At June 30, 2008, we had cash, cash equivalents and marketable securities of $832.1 million, which was an increase of $364.3 million from $467.8 million at December 31, 2007. The increase was primarily a result of the $390.1 million of net proceeds from the offerings of common stock and 2013 Notes that we completed in February 2008 and the proceeds we received from the sale of our HIV royalty stream in May 2008. In addition, we received milestone and other payments from our collaborators and $12.0 million from the issuance of common stock under our employee benefits plans. These cash inflows were partially offset by cash expenditures we made in the first half of 2008 related to, among other things, research and development expenses and sales, general and administrative expenses and the repayment in May 2008 of a $20.0 million loan, which was outstanding under the loan facility established under our collaboration with Novartis Pharma AG. Capital expenditures for property and equipment during the six months ended June 30, 2008 were $15.1 million.

At June 30, 2008, we had outstanding $287.5 million in aggregate principal amount of our 2013 Notes. The 2013 Notes bear interest at the rate of 4.75% per annum, and we are required to make semi-annual interest payments on the outstanding principal balance of the 2013 Notes on February 15 and August 15 of each year, beginning on August 15, 2008. The 2013 Notes will mature on February 15, 2013. The 2013 Notes are convertible, at the option of the holder, into our common stock at a price equal to approximately $23.14 per share, subject to adjustment. On or after February 15, 2010, we may redeem the 2013 Notes at our option, in whole or in part, at the redemption prices stated in the indenture, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Our accrued restructuring expense of $34.5 million at June 30, 2008 relates to the portion of the facility that we lease in Kendall Square that we do not intend to occupy and includes other related lease obligations, recorded at net present value. In the six months ended June 30, 2008, we made cash payments of $6.8 million against the accrued expense and received $4.2 million in sublease rental payments. During the second half of 2008, we expect to make additional cash payments of $6.4 million against the accrued expense and receive $4.0 million in sublease rental payments. We review our estimates underlying our accrued restructuring expense at least on a quarterly basis, and the amount of the accrued expense, and consequently any expected future payment, could change with any change in our estimates.

We expect to maintain our substantial investment in research at levels generally comparable to our level of investment in 2007. We also expect to continue to make significant investments in our

development pipeline, particularly in clinical trials of telaprevir and VX-770, in our effort to prepare for potential registration, regulatory approval and commercial launch of telaprevir, and in clinical trials for our other drug candidates. We expect to make a significant investment in the commercial supply of telaprevir, in advance of obtaining regulatory marketing approval, in order to have sufficient quantities of drug product from our third-party manufacturers to support a timely commercial product launch if we are successful in completing the development of telaprevir and obtaining marketing approval. As a result, we expect to incur losses on a quarterly and annual basis for the foreseeable future.

The adequacy of our available funds to meet our future operating and capital requirements will depend on many factors, including the number, breadth and prospects of our discovery and development programs, the costs and timing of obtaining regulatory approvals for any of our drug candidates and our decisions regarding manufacturing and commercial investments.

While we believe that our current cash, cash equivalents and marketable securities, in addition to amounts we expect to receive from our collaborators under existing contractual obligations, will be sufficient to fund our operations for at least the next twelve months, we may raise additional capital through public offerings or private placements of our securities, securing new collaborative agreements, or other methods of financing. Any such capital transactions may or may not be similar to transactions in which we have engaged in the past. We also will continue to manage our capital structure and consider all financing opportunities, whenever they may occur, that could strengthen our long-term liquidity profile. There can be no assurance that any such financing opportunities will be available on acceptable terms, if at all. If adequate funds are not available, we may be required to curtail significantly or discontinue one or more of our research, drug discovery or development programs or attempt to obtain funds through arrangements that may require us to relinquish rights to certain of our technologies or drug candidates.

Contractual Commitments and Obligations

Our commitments and obligations were reported in our Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the SEC on February 11, 2008. As a result of the issuance of the 2013 Notes, which mature on February 15, 2013, our obligation to repay outstanding convertible notes has increased by $287.5 million, and we have the obligation to make semi-annual interest payments related to the 2013 Notes of $6.8 million on each of February 15 and August 15 through February 15, 2013.

Recent Accounting Pronouncements

In September 2006, the Financial Accounting Standards Board ("FASB") issued Statement No. 157, "Fair Value Measurements" ("SFAS 157"). SFAS 157 establishes a common definition for fair value to be applied under GAAP requiring use of fair value, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements. Issued in February 2008, FASB Staff Position No. SFAS 157-1, "Application of FASB Statement No. 157 to FASB Statement No. 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" removed leasing transactions accounted for under FASB Statement No. 13 and related guidance from the scope of SFAS 157. Issued in February 2008, FASB Staff Position No. SFAS 157-2, "Effective Date of FASB Statement No. 157," deferred the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities to fiscal years beginning after November 15, 2008. The implementation of SFAS 157 for financial assets and financial liabilities, effective for us on January 1, 2008, did not have a material effect on our condensed consolidated financial statements. We currently are evaluating the effect of SFAS 157 for nonfinancial assets and nonfinancial liabilities on our consolidated financial statements.

In December 2007, the FASB issued Statement No. 141 (Revised 2007), "Business Combinations" ("SFAS 141(R)"). SFAS 141(R) establishes principles and requirements for how an acquirer in a business combination recognizes and measures in its financial statements, the identifiable assets acquired, the liabilities assumed, and any non-controlling interest in the acquiree. SFAS 141(R) also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of business combinations. SFAS 141(R) is effective on a prospective basis for our financial statements beginning on January 1, 2009. Accordingly, any business combination we enter into after December 31, 2008 would be subject to SFAS 141(R).

In December 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force ("EITF") on EITF Issue No. 07-1, "Accounting for Collaborative Arrangements" ("EITF 07-1"). EITF 07-1 requires collaborators to present the results of activities for which they act as the principal on a gross basis and report any payments received from (made to) other collaborators based on other applicable GAAP or, in the absence of other applicable GAAP, based on analogy to authoritative accounting literature or a reasonable, rational, and consistently applied accounting policy election. Further, EITF 07-1 clarified the determination of whether transactions within a collaborative arrangement are part of a vendor-customer (or analogous) relationship subject to EITF Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)." EITF 07-1 becomes effective for us beginning on January 1, 2009. We currently are evaluating the effect of EITF 07-1 on our consolidated financial statements.

In March 2008, the FASB issued Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133" ("SFAS 161"). SFAS 161 is intended to improve financial reporting about derivative instruments and hedging activities by requiring enhanced disclosures to enable investors to better understand their effects on an entity's financial position, financial performance, and cash flows. SFAS No. 161 will be effective for us beginning on January 1, 2009. We currently are evaluating the effect of SFAS 161 on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of

the end of the period covered by this Quarterly Report on Form 10-Q, have concluded that, based on such evaluation, as of June 30, 2008, our disclosure controls and procedures were effective and designed to provide reasonable assurance that the information required to be disclosed is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms. In designing and evaluating our disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

Changes in Internal Controls Over Financial Reporting

No change in our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) occurred during the second quarter of 2008 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

See Note 14 of the condensed consolidated financial statements.

Item 1A. Risk Factors

Information regarding risk factors appears in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the SEC on February 11, 2008. There have been no material changes from the risk factors previously disclosed in that Annual Report on Form 10-K, except:

OUR OUTSTANDING INDEBTEDNESS MAY MAKE IT MORE DIFFICULT TO OBTAIN ADDITIONAL FINANCING OR REDUCE OUR FLEXIBILITY TO ACT IN OUR BEST INTERESTS.

As of June 30, 2008, we had outstanding $287.5 million in aggregate principal amount of 4.75% convertible senior subordinated notes due 2013. The level of our indebtedness could affect us by:

- exposing us to fixed rates of interest, which may be in excess of prevailing market rates;
- making it more difficult to obtain additional financing for working capital, capital expenditures, debt service requirements or other purposes;
- constraining our ability to react quickly in an unfavorable economic climate or to changes in our business or the pharmaceutical industry; and
- requiring the dedication of substantial cash to service the semi-annual interest payments on our outstanding debt, thereby reducing the amount of cash available for other purposes.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

- our expectations regarding clinical trials, development timelines and regulatory authority filings for telaprevir, VX-770 and other drug candidates under development by us and our collaborators;
- our expectations regarding the number of patients that will be evaluated, the trial design that will be utilized, the anticipated date by which enrollment will be completed and the expected date by which SVR data, interim data and/or final data will be available and/or publicly announced for our ADVANCE Phase 3 clinical trial, the other ongoing or planned clinical trials of telaprevir, the ongoing Phase 2a clinical trial of and the potential registration program for VX-770, the Phase 1a clinical trials and planned clinical trial of VX-809, the Phase 1b clinical trial of VX-500 and the Phase 1a clinical trial of VX-813, and the clinical trials being conducted by our collaborators of drug candidates for the treatment of cancer;
- expectations regarding our net loss, revenues and costs and expenses in future periods as compared to previous periods;
- the data that will be generated by ongoing and planned clinical trials, and the ability to use that data for the design and initiation of further clinical trials and to support regulatory filings, including potentially an NDA for telaprevir;

- our plan to begin patient screening in the United States, for a Phase 3 clinical trial in patients with genotype 1 HCV who have failed prior treatment, in the third quarter of 2008;
- our beliefs that we could reach agreement with regulatory authorities on the initiation of a registration program for VX-770 in 2009;
- the design of our global clinical program for telaprevir and our ability to potentially register telaprevir for marketing across a range of genotypes and patient populations;
- our expectations regarding the future market demand and medical need for telaprevir and our other drug candidates;
- our ability to retain greater development control of, and commercial rights to, drug candidates by funding a greater portion of our research programs;
- our beliefs regarding the support provided by clinical trials and preclinical and nonclinical studies of our drug candidates for further investigation, clinical trials or potential use as a treatment of those drug candidates;
- our ability to capitalize on the advances in our telaprevir clinical program by building our drug development, supply chain management and commercialization organizations in order to prepare for the potential commercial launch of telaprevir and to support the development of our other drug candidates;
- the focus of our drug development efforts;
- the establishment, development and maintenance of collaborative relationships;
- our ability to use our research programs to identify and develop new drug candidates to address serious diseases and significant unmet medical needs;
- our ability to increase our headcount and scale up our drug development and commercialization capabilities;
- our estimates regarding obligations associated with a lease of a facility in Kendall Square, Cambridge, Massachusetts; and
- our liquidity and our expectations regarding our needs for additional capital.

Without limiting the foregoing, the words "believes," "anticipates," "plans," "expects" and similar expressions are intended to identify forward-looking statements. Any or all of our forward-looking statements in this Quarterly Report may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Many factors mentioned in our discussion in this Quarterly Report will be important in determining future results. Consequently, no forward-looking statement can be guaranteed. Actual future results may vary materially from expected results. We also provide a cautionary discussion of risks and uncertainties under "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2007, which was filed with the SEC on February 11, 2008, and updated and supplemented by "Part II—Item 1A—Risk Factors" of this Quarterly Report on Form 10-Q. These are factors that we think could cause our actual results to differ materially from expected results. Other factors besides those listed could also adversely affect us. In addition, the forward-looking statements contained herein represent our estimate only as of the date of this filing and should not be relied upon as representing our estimate as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

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

Issuer Repurchases of Equity Securities

The table set forth below shows all repurchases of securities by us during the three months ended June 30, 2008:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as part of publicly announced Plans or Programs	Maximum Number of Shares that may yet be purchased under publicly announced Plans or Programs
April 1, 2008 to April 30, 2008	7,573	$ 0.01	—	—
May 1, 2008 to May 31, 2008	11,840	$ 0.01	—	—
June 1, 2008 to June 30, 2008	10,775	$ 0.01	—	—

Under the terms of our 1996 Stock and Option Plan and 2006 Stock and Option Plan, we may award shares of restricted stock to our employees and consultants. These shares of restricted stock typically are subject to a lapsing right of repurchase by us. We may exercise this right of repurchase in the event that a restricted stock recipient's service to us is terminated. If we exercise this right, we are required to repay the purchase price paid by or on behalf of the recipient for the repurchased restricted shares, which typically is the par value per share of $0.01. Repurchased shares are returned to the applicable Stock and Option Plan under which they were issued. Shares returned to the 2006 Stock and Option Plan are available for future awards under the terms of that plan.

Item 4. Submission of Matters to a Vote of Security Holders

Our annual meeting of stockholders was held on May 15, 2008.

Our stockholders elected Stuart J. M. Collinson, Eugene H. Cordes and Matthew W. Emmens to serve on our board of directors until the annual meeting of stockholders to be held in 2011. The tabulation of votes with respect to the election of such directors is as follows:

	For	Withheld
Stuart J. M. Collinson	104,113,245	21,458,477
Eugene H. Cordes	105,387,235	20,184,487
Matthew W. Emmens	105,399,056	20,172,666

Following the meeting, our board of directors consisted of Charles A. Sanders (Chairman), Joshua S. Boger, Eric K. Brandt, Roger W. Brimblecombe, Stuart J.M. Collinson, Eugene H. Cordes, Matthew W. Emmens, Bruce I. Sachs and Elaine S. Ullian.

In addition, our stockholders approved (i) an amendment to our Articles of Organization to increase the number of authorized shares of common stock from 200,000,000 to 300,000,000, (ii) an amendment to our 2006 Stock and Option Plan to increase the number of shares of common stock authorized for issuance thereunder by 6,600,000, (iii) an amendment to our Employee Stock Purchase Plan to increase the number of shares of common stock authorized for issuance thereunder by 2,000,000 shares and (iv) the ratification of the appointment of Ernst & Young LLP as our independent

registered public accounting firm for the year ending December 31, 2008. The tabulation of votes with respect to these four proposals was as follows:

	For	Against	Abstain	Broker Non-Votes
Amendment of Our Articles of Organization	120,757,660	4,735,796	78,266	0
Amendment of Our 2006 Stock and Option Plan	72,167,531	36,214,803	266,167	16,923,221
Amendment of Our Employee Stock Purchase Plan	103,329,042	5,062,372	257,087	16,923,221
Ratification of Our Independent Registered Public Accounting Firm	125,345,418	162,021	64,283	0

Item 6. Exhibits

Exhibit No.	Description
3.1	Articles of Organization of Vertex Pharmaceuticals Incorporated, as amended.
10.1	Exclusive Research Collaboration, License and Commercialization Agreement, dated as of June 21, 2004, between Vertex Pharmaceuticals Incorporated and Merck & Co., Inc.†
10.2	Purchase Agreement, dated May 30, 2008, by and between Vertex Pharmaceuticals Incorporated and Fosamprenavir Royalty, L.P.
10.3	Employment Agreement between Vertex Pharmaceuticals Incorporated and Freda Lewis-Hall, dated June 18, 2008.*
10.4	Change-of-Control Agreement between Vertex Pharmaceuticals Incorporated and Freda Lewis-Hall, dated June 18, 2008.*
10.5	Restricted Stock Agreement (35,000 shares) between Vertex Pharmaceuticals Incorporated and Freda Lewis-Hall, dated June 18, 2008.*
10.6	Restricted Stock Agreement (10,000 shares) between Vertex Pharmaceuticals Incorporated and Freda Lewis-Hall, dated June 18, 2008.*
10.7	Amended and Restated Vertex Pharmaceuticals Incorporated 2006 Stock and Option Plan*.
10.8	Amended and Restated Vertex Pharmaceuticals Incorporated Employee Stock Purchase Plan*.
31.1	Certification of the Chief Executive Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer under Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

* Management contract, compensatory plan or arrangement.

Signatures

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

August 11, 2008 VERTEX PHARMACEUTICALS INCORPORATED

By:

/s/ IAN F. SMITH

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

QuickLinks

Exhibit 3.1

Federal Identification
No. 04-3039129

The Commonwealth of Massachusetts
MICHAEL JOSEPH CONNOLLY
Secretary of State
ONE ASHBURTON PLACE, BOSTON, MASS: 02108

RESTATED ARTICLES OF ORGANIZATION

General Laws, Chapter 156B, Section 74

This certificate must be submitted to the Secretary of the Commonwealth within sixty days after the date of the vote of stockholders adopting the restated articles of organization. The fee for filing this certificate is prescribed by General Laws, Chapter 156B Section 114. Make check payable to the Commonwealth of Massachusetts.

We, Joshua Boger , President
Richard H. Aldrich , Clerk of

Vertex Pharmaceuticals Incorporated
(Name of Corporation)

located at 40 Allston Street, Cambridge, Massachusetts 02139 do hereby certify that the following restatement of the articles of organization of the corporation was duly adopted at a meeting held on May 24 , 1991, by vote of

1,080,000 shares of common out of 2,702,500 shares outstanding,
(Class of Stock)

5,051,955 shares of Series A Convertible Preferred Stock out of 5,279,227 shares outstanding, and
(Class of Stock)

1,343,655 shares of Series Convertible Preferred Stock out of 1,404,000 shares outstanding,
(Class of Stock)

*
being at least two-third of each class of stock outstanding and entitled to vote and of each class or series of stock adversely affected thereby:

1. The name by which the corporation shall be known is:

   Vertex Pharmaceuticals Incorporated

2. The purpose for which the corporation is formed are as follows:

   To develop, manufacture, market, and sell pharmaceutical products.

   To carry on any business or other activity which may be lawfully carried on by a corporation organized under the Business Corporation Law of the Commonwealth of Massachusetts whether or not related to those referred to in the foregoing paragraph.

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* 571,429 shares of Series C Convertible Preferred Stock out of 571,429 shares outstanding Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on separate $8^1/_2 \times 11$ sheets of paper leaving a left hand margin of at least 1 inch for binding. Additions to more than one article may be continued on a single sheet so long as each article requiring each such addition is clearly indicated.

3. The total number of shares and the par value, if any, of each class of stock which the corporation is authorized to issue is as follows:

Class of Stock	Without Par Value Number of Shares	With Par Value Number of Shares	With Par Value Par Value
Preferred	None	1,000,000	$ .01
Common	None	25,000,000	$ .01

*4. If more than one class is authorized, a description of each of the different classes of stock with, if any, the preferences, voting powers, qualifications, special or relative rights or privileges as to each class thereof and any series now established:

See Attached.

*5. The restrictions, if any, imposed by the articles of organization upon the transfer of shares of stock of any class are as follows:

None.

*6. Other lawful provisions, if any, for the conduct and regulation of the business and affairs of the corporation, for its voluntary dissolution, or for limiting, defining, or regulating the powers of the corporation, or of its directors or stockholders, or of any class of stockholders:

See Attached.

* If there are no such provisions, state "None".

AMENDMENTS

1. Article 3 is amended as follows:

(i) Every three shares of the Common Stock, $.01 par value, of the Corporation outstanding on the effective date of these Restated Articles of Organization shall on such effective date be combined into two shares of Common Stock, $.01 par value; provided, that no fractional shares shall be issued in connection with such combination and the fair value of fractional shares resulting therefrom shall be paid in cash to holders who would otherwise have received such fractional shares; and provided, further, that in connection with the foregoing, no changes shall be made in the capital or surplus account of the Corporation.

(ii) In connection and simultaneously with the combination described above, the authorized Common Stock, $.01 par value, of the Corporation shall be reduced from 11,024,000 shares to 7,349,333 shares; provided, that in connection with the foregoing, no changes shall be made in the capital or surplus account of the Corporation.

(iii) Every three shares of each series of the Convertible Preferred Stock, $.01 par value, of the Corporation outstanding on the effective date of these Restated Articles of Organization shall on such effective date, pursuant to the terms of such Convertible Preferred Stock, be automatically converted into two shares of Common Stock, $.01 par value; provided, that no fractional shares shall be issued in connection with said conversion and the fair value of fractional shares resulting therefrom shall be paid in cash to holders who would have otherwise received such fractional shares.

(iv) In connection and simultaneously with the conversion described above, the entire class, including each series of such class, of Convertible Preferred Stock, $.01 par value, of the Corporation shall be cancelled and withdrawn from the authorized capital stock of the Corporation.

(v) Immediately following the foregoing, the amount of the authorized capital stock of the Corporation shall be increased to 26,000,000 shares, consisting of 25,000,000 shares of Common Stock, $.01 par value, and 1,000,000 shares of Preferred Stock, $.01 par value.

2. Article 4 is amended as follows:

(i) The class of Preferred Stock, S.01 par value, authorized pursuant to Article 3 is authorized to be issued by the Board of Directors, in one or more series, as set forth in Article 4 of these Restated Articles of Organization.

3. Article 6 is amended as follows:

(i) The first paragraph, relating to Amendment of the By-Laws, is designated as Part A.

(ii) The second paragraph, relating to Meetings of Stockholders, is designated as Part B.

(iii) The third paragraph, relating to Partnership Agreements, is designated as Part C.

(iv) The fourth paragraph, relating to liability of Directors, is designated as Part D.

(v) There is added as a new Part E provisions relating to (a) the election of a classified Board of Directors, (b) nomination of directors, (c) filling of newly created directorships and vacancies, (d) removal of directors, (e) election of directors by holders of Preferred Stock, and (f) amendment or repeal of the provisions set forth in Part E.

ARTICLE 4

A. Common Stock

The holders of shares of Common Stock of the Corporation shall be entitled to one vote for each share of such stock held by them, respectively, upon all matters presented to the stockholders. The Common Stock shall be subject to the special provisions applicable to any series of Preferred Stock issued by the Board of Directors, as hereinafter provided.

B. Preferred Stock.

The Preferred Stock may be issued by the Board of Directors, in one or more series and with such rights, powers, preferences, and terms and at such times and for such consideration as the Board of Directors shall determine, without further stockholder action. With respect to any such series of Preferred Stock, prior to issuance, the Board of Directors by resolution shall designate that series to distinguish it from other series and classes of stock of the Corporation, shall specify that number of shares to be included in the series, and shall fix the rights, powers, preferences, and terms of the shares of the series, including but without limitation: (1) the dividend rate, its preference as to any other class or series of capital stock, and whether dividends will be cumulative or non cumulative; (ii) whether the shares are to be redeemable and, if so, at what times and prices and on what other terms and conditions; (iii) the terms and amount of any sinking fund provided for the purchase of redemption for the shares; (iv) whether the shares shall be convertible or exchangeable and, if so, the times, prices, rates, adjustments, and other terms of such conversion or exchange; (v) the voting rights, if any, applicable to the shares in addition to those prescribed by law; (vi) the restrictions and conditions, if any, on the issue or reissue of any additional shares of such series or of any other series of Preferred Stock ranking on a parity with or prior to the shares of such series; and (vii) the rights of the holders of such shares upon voluntary or involuntary liquidation, dissolution, or winding up of the Corporation.

ARTICLE 6

A. Amendment of By-Laws

To the extent and the manner provided in the By-Laws, the Board of Directors may make, amend, or repeal the By-Laws in whole or in part, except with respect to any provision thereof which by law or by the By-Laws requires action by the stockholders.

B. Meetings of Stockholders

To the extent and in the manner provided in the By-Laws, meetings of the stockholders may be held anywhere within the Commonwealth of Massachusetts or elsewhere in the United States.

C. Partnership Agreements

The Corporation may enter into partnership agreements (general or limited) and joint ventures with any person, firm, association, or corporation engaged in carrying on any business in which the Corporation is authorized to engage, or in connection with carrying out all or any of the purposes of the Corporation.

D. Liability of Directors

No director of the Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director; provided, however, that this provision shall not eliminate or limit the liability of a director to the extent provided by applicable law (i) for any breach of the director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of laws, (iii) under Section 61 or 62 of the Business Corporation Law, Chapter 156B, of the Commonwealth of Massachusetts, or (iv) for any transactions from which the director derived an improper personal benefit. No amendment to or repeal of this provision shall apply to or have any effect on the liability or alleged liability of any director of the Corporation for or with respect to any acts or omissions of such director occurring prior to such amendment or repeal.

E. Board of Directors

1. Number, Election and Terms. Subject to the rights of the holders of any series of Preferred Stock to elect directors who shall serve for such term and have such voting powers as shall be provided in Article 4 of these Articles, the Board of Directors shall consist of such number of persons as shall be provided in the Corporation's By-Laws. The Board of Directors shall be classified with respect to the time for which its members shall severally hold office by dividing them into three classes, as nearly equal in number as possible, with the term of office of one class expiring at the annual meeting of stockholders each year. At each annual meeting of the stockholders of the Corporation, the successors to the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of stockholders held in the third year following the year of their election. If the number of directors

is changed, any increase or decrease shall be apportioned by the Board of Directors among the classes so as maintain the number of directors in each class as nearly equal as possible. Each director shall hold office until the annual meeting for the year in which such director's term expires and until such director's successor shall be elected and shall qualify. No director need be a stockholder.

2. Nomination. Advance notice of nominations for the election of directors, other than by the Board of Directors or a committee thereof, shall be given within the time and in the manner provided in the By-Laws.

3. Newly Created Directorships and Vacancies. Newly created directorships resulting from any increase in the number of directors and any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal, or other cause shall be filled only by the affirmative vote of a majority of the remaining directors then in office, even though less than a quorum of the board of Director. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor shall have been elected and qualified. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

4. Removal of Directors. Any director may be removed from office by stockholder vote at any time, but only for cause, by the affirmative vote of the holders of a majority of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class. Any director may also be removed from office for cause by vote of a majority of the directors then in office.

5. Directors Elected by Holders of Preferred Stock. Whenever the holders of any class or series of Preferred Stock or of any other class or series of shares issued by the Corporation shall have the right, voting separately as a class or series, to elect one or more directors under specified circumstances, the election, term of office, filling of vacancies, and other features of such directorships shall be governed by the terms of these Articles applicable to such class or series, and none of the provisions of this Part E shall apply with respect to directors so elected.

6. Amendment, Repeal, etc. Notwithstanding any other provision of these Articles to the contrary, the affirmative vote of the holders of at least 80% of the voting power of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend, adopt any provision inconsistent with, or repeal this Part E or any provision thereof.

* We further certify that the foregoing restated articles of organization effect no amendments to the articles of organization of the corporation as heretofore amended, except amendments to the following articles 3, 4 and 6.

(*If there are no such amendments, state "None".)

Briefly describe amendments in space below:

See Attached.

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 30th day of July in the year 1991

/S/ Joshua Boger

Joshua Boger President

/S/ Richard H. Aldrich

Richard H. Aldrich Clerk

THE COMMONWEALTH OF MASSACHUSETTS

RESTATED ARTICLES OF ORGANIZATION
(General Laws, Chapter 156B, Section 74)

I hereby approve the within restated articles of organization and, the filing fee in the amount of $19,150.67 having been paid, said articles are deemed to have been filed with me this 31st day of July, 1991

/S/ MICHAEL JOSEPH CONNOLLY

MICHAEL JOSEPH CONNOLLY
Secretary of State

TO BE FILLED IN BY CORPORATION

PHOTOCOPY OF RESTATED ARTICLES OF ORGANIZATION TO BE SENT TO:
Timothy B. Bancroft, Esq.
Warner & Stackpole
75 State Street, Boston, MA 02109
Telephone (617) 951-9000

Copy Mailed

The Commonwealth of Massachusetts

OFFICE OF THE MASSACHUSETTS SECRETARY OF STATE
MICHAEL JOSEPH CONNOLLY, SECRETARY
ONE ASHBURTON PLACE, BOSTON, MASS. 02108

CERTIFICATE OF VOTE OF DIRECTORS ESTABLISHING A SERIES OF A CLASS OF STOCK

General Laws, Chapter 156B, Section 26

We, Joshua Boger, President and
Richard H. Aldrich, Clerk of

Vertex Pharmaceuticals Incorporated
(Name of Corporation)

located at 40 Allston Street, Cambridge, Massachusetts 02139 do hereby certify that by unanimous written consent of the Board of Directors as of July 1, 1991, the following vote establishing and designating a series of class of stock and determining the relative rights and preferences thereof was duly adopted.

See attached.

Note: Votes for which the space provided above is not sufficient should be set out on continuation sheets to be numbered 2A, 2B etc. Continuation sheets must have a left-hand margin 1 inch wide for binding and shall be $8^{1}/_{2}$" × 11". Only one side should be used.

VOTED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") by the provisions of the Restated Articles of Organization of the Corporation approved by the Board on May 23, 1991 and approved by the stockholders of the Corporation on May 24, 1991, the Board of Directors hereby establishes a series of Preferred Stock (the "Preferred Stock") of Restated Articles of Organization with the Secretary of the Commonwealth of Massachusetts, and hereby states the designation and number of shares, and prescribes the relative rights and preferences thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 250,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants, or the conversion of any outstanding securities, issued by the Corporation exercisable for or convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value $.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) $1 or (b) subject to the provisions for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly

Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided, that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of $1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be

not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation.

(B) Except as otherwise provided herein, in any other Certificate of Vote of Directors establishing a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of the stockholders of the Corporation.

(C) Except as otherwise provided herein, or by law, holders of shares of Series A Preferred Stock shall have no special voting rights and—their consent shall not be required (except to the extent they are entitled to vote with holders of shares of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock; provided,

that the Corporation may at any time redeem, purchase or otherwise acquire shares of such junior stock in exchange for shares of stock of the Corporation ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A-Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except-in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. Reacquired Shares. Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Restated Articles of Organization, or in any other Certificate of Vote of Directors establishing a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. Liquidation, Dissolution or Winding Up. Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received $100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment; provided, that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares

of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock-in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders or shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso to clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged for or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Restated Articles of Organization of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereto signed our names this 30th day of July in the year 1991.

/S/ Joshua Boger

Joshua Boger, President

/S/ Richard H. Aldrich

Richard H. Aldrich, Clerk

THE COMMONWEALTH OF MASSACHUSETTS

Certificate of Vote of Directors Establishing
A Series of a Class of Stock
(General Laws, Chapter 156B, Section 26)

I hereby approve the within certificate and, the filing fee in the amount of $100.00 having been paid, said certificate is hereby filed this 31st day of July, 1991

/S/ MICHAEL JOSEPH CONNOLLY

MICHAEL JOSEPH CONNOLLY
Secretary of State

TO BE FILLED IN BY CORPORATION

Photo copy of certificate to be sent

TO:
Timothy B. Bancroft, Esq.
Warner & Stackpole
75 State Street, Boston, MA 02109
Telephone: (617) 951-9000

THE COMMONWEALTH OF MASSACHUSETTS

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF AMENDMENT

(General Laws, Chapter 156B, Section 72)

We, Joshua S. Boger , President
and Richard H. Aldrich , Clerk
of

Vertex Pharmaceuticals Incorporated ,
(EXACT NAME OF CORPORATION)

located at 40 Allston Street, Cambridge, Massachusetts 02139 ,

(STREET ADDRESS OF CORPORATION IN MASSACHUSETTS)
certify that these Articles of Amendment affecting articles numbered: 3

(NUMBER THOSE ARTICLES 1, 2, 3, 4, 5 AND/OR 6 BEING AMENDED)
of the Articles of Organization were duly adopted at a meeting held on May 11, 1995 , by vote of:

11,800,239 shares of Common Stock of 17,189,713 shares outstanding,
(TYPE, CLASS & series, if any)

shares of of shares outstanding, and
(TYPE, CLASS & series, if any)

shares of of shares outstanding
(TYPE, CLASS & series, if any)

being at least a majority of each type, class or series outstanding and entitled to vote thereon:

VOTED: To increase the number of shares of Common Stock, $.01 par value per share that the Corporation shall have authority to issue from 25,000,000 shares to 50,000,000 shares; and that Article 3 of the Corporation's Restated Articles of Organization be, and hereby is, amended to read as follows:

3. The total number of shares and the par value, if any, of each class of stock which the Corporation shall be authorized to issue is as follows: 1,000,000 shares of Preferred Stock, $.01 par value per share and 50,000,000 shares of Common Stock, $.01 par value per share.

To CHANGE the number of shares and the par value (if any) of any type, class or series of stock which the corporation is authorized to issue, fill in the following:

The total PRESENTLY authorized is:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
Common:	0
Preferred:	0

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
Common:	25,000,000	$ 0.01
Preferred:	1,000,000	$ 0.01

CHANGE the total authorized to:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
Common:	0
Preferred:	0

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
Common:	50,000,000	$ 0.01
Preferred:	1,000,000	$ 0.01

The foregoing amendment will become effective when these Article of Amendments are filed in accordance with General Laws, Chapter 156B, Section 6 unless the articles specify, in accordance with the vote adopting the amendment, a later effective date not more than thirty days after such filing, in which event the amendment will become effective on such later date.

EFFECTIVE DATE: .

IN WITNESS WHEREOF AND UNDER THE PENALTIES OF PERJURY, we have hereunto signed our names this 15th day of May, in the year 1995,

/s/ Joshua S. Boger , President

/s/ Richard H. Aldrich , Clerk

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT
(GENERAL LAWS, CHAPTER 156B, SECTION 72)

I hereby approve the within Articles of Amendment and, the filing fee in the amount of $25,000.00 having been paid, said articles are deemed to have been filed with me this 17th day of May 1995.

/s/ William Francis Galvin

WILLIAM FRANCIS GALVIN

SECRETARY OF THE COMMONWEALTH

TO BE FILLED IN BY CORPORATION

PHOTOCOPY OF DOCUMENT TO BE SENT TO:

KENNETH S. BOGER, ESQUIRE
WARNER & STACKPOLE
75 STATE STREET
BOSTON, MA 02109
617-951-9000

FEDERAL IDENTIFICATION
NO. 04-3039129

The Commonwealth of Massachusetts
William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF AMENDMENT

(General laws, Chapter 156B, Section 72)

We, Thomas G. Auchincloss, Jr. * President/Vice President,

and Richard H. Aldrich , *Clerk/Assistant Clerk,
of

Vertex Pharmaceuticals Incorporated
(Exact name of corporation)

located at: 130 Waverly Street, Cambridge, Massachusetts 02139-4242
(Street address of corporation in Massachusetts)

certify that these Articles of Amendments affecting articles numbered:
3

(number those articles 1, 2, 3, 4, 5, and/or 6 being amended)
of the Articles of Organization were duly adopted at a meeting held on May 8, 1997, by vote of: 18,591,245 shares of Common Stock of 24,680,649 shares outstanding.
(type, class & series if any)

shares of of shares outstanding and
(type, class & series if any)

shares of of shares outstanding.
(type, class & series if any)

** being at least a majority of each type, class or series outstanding and entitled to vote thereon:/ or 2** being at least two thirds of each type, class or series outstanding and entitled to vote thereon and of each type, class or series of stock whose rights are adversely affected thereby:

(see page 2)

* Delete the inapplicable words **Delete the inapplicable clause. (1)For amendments adopted pursuant to Chapter 156B, Section 70. (2)For amendments adopted pursuant to Chapter 156B, Section 71. Note: if the space provided under any article or item on this form is insufficient, additions shall be set forth on one side only of separate $8^1/_2 \times 11$ sheets of paper with a left margin of at least 1 inch. Additions to more than one article may be made on a single sheet so long as each article requiring each addition is clearly indicated.

To change the number of shares and the par value (if any) of any type, class or series of stock which the corporation is authorized to issue, fill in the following:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
Common:	0
Preferred:	0

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
Common:	50,000,000	$ 0.01
Preferred:	1,000,000	$ 0.01

CHANGE the total authorized to:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
Common:	0
Preferred:	0

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
Common:	100,000,000	$ 0.01
Preferred:	1,000,000	$ 0.01

VOTED: To increase the number of shares of Common Stock, $.01 par value per share that the Corporation shall have authority to issue from 50,000,000 shares to 100,000,000 shares; and that Article 3 of the Corporation's Restated Articles of Organization be, and hereby is, amended to read as follows:

3. The total number of shares and the par value, if any, of each class of stock which the Corporation shall be authorized to issue is as follows: 1,000,000 shares of Preferred Stock, $.01 par value per share and 100,000,000 shares of Common Stock, $.01 par value per share.

The foregoing amendment(s) will become effective when these Articles of Amendment are filed in accordance with General Laws, Chapter 156B, Section 6 unless these articles specify, in accordance with the vote adopting the amendment, a later effective date not more than thirty days after such filing, in which event the amendment will become effective on such later date.
Later effective date:

SIGNED UNDER THE PENALTIES OF PERJURY, this 30th day of May , 1997.

/s/ Thomas G. Auchincloss ,*President/*Vice President,

Thomas G. Auchincloss, Jr.

/s/ Richard H. Aldrich ,*Clerk/*Assistant Clerk

Richard H. Aldrich

* Delete the inapplicable words.

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT
(General Laws, Chapter 156B, Section 72)

I hereby approve the within Articles of Amendment, and the filing fee in the amount of $50,000 having been paid, said article is deemed to have been filed with me this 4th day of June, 1997.

Effective date:

/S/ WILLIAM FRANCIS GALVIN

WILLIAM FRANCIS GALVIN

Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION
Photocopy of document to be sent to:

Sarah P. Cecil
Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139-4242

FEDERAL IDENTIFICATION
NO. 04-3039129

The Commonwealth of Massachusetts
William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

ARTICLES OF AMENDMENT
(General Laws, Chapter 156B, Section 72)

We, VICKI L. SATO, PH.D., President,

and SARAH P. CECIL, Clerk,

of

VERTEX PHARMACEUTICALS INCORPORATED,
(Exact name of corporation)

located at 130 WAVERLY STREET, CAMBRIDGE, MASSACHUSETTS 02139-4242,
(Street address of corporation in Massachusetts)
certify that these Articles of Amendment affecting articles numbered:
3
(Number those articles 1, 2, 3, 4, 5 and/or 6 being amended)
of the Articles of Organization were duly adopted at a meeting held on MAY 8, 2001, by vote of:

40,020,139 shares of COMMON STOCK of 60,150,471 shares outstanding,
(type, class & series, if any)

shares of of shares outstanding, and
(type, class & series, if any)

shares of of shares outstanding,
(type, class & series, if any)

1 being at least a majority of each type, class or series outstanding and entitled to vote thereon:

1 For amendments adopted pursuant to Chapter 156B, Section 70. Note: If the space provided under any article or item on this form is insufficient, additions shall be set forth on one side only of separate $8^1/_2 \times 11$ sheets of paper with a left margin of at least 1 inch. Additions to more than one article may be made on a single sheet so long as each article requiring each addition is clearly indicated.

To CHANGE the number of shares and the par value (if any) of any type, class or series of stock which the corporation is authorized to issue, fill in the following:

The total PRESENTLY authorized is:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
Common:	0
Preferred:	0

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
Common:	100,000,000	$ 0.01
Preferred:	1,000,000	$ 0.01

CHANGE the total authorized to:

WITHOUT PAR VALUE STOCKS

TYPE	NUMBER OF SHARES
Common:	0
Preferred:	0

WITH PAR VALUE STOCKS

TYPE	NUMBER OF SHARES	PAR VALUE
Common:	200,000,000	$ 0.01
Preferred:	1,000,000	$ 0.01

VOTED: To increase the number of shares of Common Stock, $.01 par value per share that the Corporation shall have authorized to issue from 100,000,000 shares to 200,000,000 shares; and that ARTICLE 3 of the Corporation's Restated Articles of Organization be, and hereby is, amended to read as follows:

3. The total number of shares and the par value, if any, of each class of stock which the Corporation shall be authorized to issue is as follows:

1,000,000 shares of Preferred Stock, $.01 par value per share and

200,000,000 shares of Common Stock, $.01 par value per share.

The foregoing amendment(s) will become effective when these Articles of Amendment are filed in accordance with General Laws, Chapter 156B, Section 6 unless these articles specify, in accordance with the vote adopting the amendment, a LATER effective date not more than THIRTY DAYS after such filing, in which event the amendment will become effective on such later date.

Later effective date: .

SIGNED UNDER THE PENALTIES OF PERJURY, this 16TH day of MAY , 2001 ,

/s/ VICKI L. SATO, PH.D ,*President,

Vicki L. Sato, Ph.D.

/s/ SARAH P. CECIL ,*Clerk.

Sarah P. Cecil

THE COMMONWEALTH OF MASSACHUSETTS

ARTICLES OF AMENDMENT
(General Laws, Chapter 156B, Section 72)

I hereby approve the within Articles of Amendment and, the filing fee in the amount of $ having been paid, said articles are deemed to have been filed with me this day of 20 .

Effective date:

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

TO BE FILLED IN BY CORPORATION
Photocopy of document to be sent to:

SARAH P. CECIL, ESQ.
VERTEX PHARMACEUTICALS INCORPORATED
130 WAVERLY STREET
CAMBRIDGE, MA 02139-4242

Telephone: (617) 577-6000

D
PC

The Commonwealth of Massachusetts
William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

FORM MUST BE TYPED

Articles of Amendment
(General Laws Chapter 156D, Section 10.06; 950 CMR 113.34)

FORM MUST BE TYPED

(1) Exact name of corporation: **Vertex Pharmaceuticals Incorporated**

(2) Registered office address: **130 Waverly Street, Cambridge, Massachusetts 02139**

(number, street, city or town, state, zip code)

(3) These articles of amendment affect article(s): **3**

(specify the number(s) of article(s) being amended (I-VI))

(4) Date adopted: **May 15, 2008**

(month, day, year)

(5) Approved by:

(check appropriate box)

o the incorporators.

o the board of directors without shareholder approval and shareholder approval was not required.

☒ the board of directors and the shareholders in the manner required by law and the articles of organization.

(6) State the article number and the text of the amendment. Unless contained in the text of the amendment, state the provisions for implementing the exchange, reclassification or cancellation of issued shares.

VOTED: To Increase the number of shares of Common Stock, $.01 par value per share, that the Corporation shall have authorized to issue from 200,000,000 shares to 300,00,000 shares; and that ARTICLE 3 of the Corporation's Restated Articles of Organization be, and hereby is, amended to read as follows:

3. The total number of shares and the par value, if any, of each class of stock that the Corporation shall be authorized to issue is as follows; 1,000,000 shares of Preferred Stock, $.01 par value per share, and 300,000,000 shares of Common Stock, $.01 par value per share.

To change the number of shares and the par value, * if any, of any type, or to designate a class or series, of stock, or change a designation of class or series of stock, which the corporation is authorized to issue, complete the following:

Total authorized prior to amendment:

WITHOUT PAR VALUE		WITH PAR VALUE		
TYPE	**NUMBER OF SHARES**	**TYPE**	**NUMBER OF SHARES**	**PAR VALUE**
		Common:	200,000,000	$ .01
		Preferred:	1,000,000	$ .01

Total authorized after amendment:

WITHOUT PAR VALUE		WITH PAR VALUE		
TYPE	**NUMBER OF SHARES**	**TYPE**	**NUMBER OF SHARES**	**PAR VALUE**
		Common:	300,000,000	$ .01
		Preferred:	1,000,000	$ .01

(7) The amendment shall be effective at the time and on the date approved by the Division, unless a later effective date not more than 90 days from the date and time of filing is specified:

* *G.L. Chapter 156D eliminate the concept of par value, however a corporation may specify par value in Article III. See G.L. Chapter 156D, Section 6.21, and the comments relative thereto.*

Signed by: /s/ Joshua S. Boger

(signature of authorized individual)

o Chairman of the board of directors,

☒ President,

o Other officer,

o Court-appointed fiduciary,

on this **15th** day of **May, 2008.**

COMMONWEALTH OF MASSACHUSETTS

William Francis Galvin
Secretary of the Commonwealth
One Ashburton Place, Boston, Massachusetts 02108-1512

Articles of Amendment
(General Laws Chapter 156D, Section 10.06; 950 CMR 113.34)

I hereby certify that upon examination of these articles of amendment, it appears that the provisions of the General Laws relative thereto have been complied with, and the filing fee in the amount of $100,000 having been paid, said articles are deemed to have been filed with me this 15 day of May, 2008, at a.m./p.m.

time

Effective date: May , 2008

(must be within 90 days of date submitted)

WILLIAM FRANCIS GALVIN
Secretary of the Commonwealth

Filing fee: Minimum filing fee $100 per article amended, stock increases $100 per 100,000 shares, plus $100 for each additional 100,000 shares or any fraction thereof.

Examiner

TO BE FILLED IN BY CORPORATION

Name approval

C

M

Contact Information:

Kenneth S. Boger

Senior Vice President and General Counsel

Vertex Pharmaceuticals Incorporated

Telephone: (617) 444-6417

Email: Ken_Boger@vrtx.com

Upon filing, a copy of this filing will be available at www.sec.state.ma.us/cor. If the document is rejected, a copy of the rejection sheet and rejected document will be available in the rejected queue.

Exhibit 10.1

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

EXCLUSIVE RESEARCH COLLABORATION, LICENSE AND COMMERCIALIZATION AGREEMENT

between

MERCK & CO., INC.

and

VERTEX PHARMACEUTICALS INCORPORATED

EXCLUSIVE RESEARCH COLLABORATION, LICENSE AND COMMERCIALIZATION AGREEMENT

This EXCLUSIVE RESEARCH COLLABORATION, LICENSE AND COMMERCIALIZATION AGREEMENT (this "Agreement") is effective as of June 21, 2004, (the "Effective Date") and is entered into by and between Merck & Co., Inc., a New Jersey corporation ("Merck"), and Vertex Pharmaceuticals Incorporated, a Massachusetts corporation ("Vertex").

Background:

A. Vertex has undertaken a broad drug discovery program relating to Aurora kinases.

B. Merck is interested in developing and commercializing drugs targeting such Aurora kinases.

C. Vertex and Merck each believe that the other brings significant and complementary strengths to a potentially effective collaboration targeting human Aurora kinase inhibitors, and desire to enter into a collaboration on the terms set out in this Agreement.

D. Vertex has exclusive rights to VX-680, Existing Compounds, Compounds, Vertex Know-How and Patent Rights (as hereinafter defined), and Merck desires to obtain a license to the same on the terms set out in this Agreement and Vertex desires to grant such a license.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, the receipt and sufficiency which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1: DEFINITIONS

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, shall have the respective meanings set forth below.

1.1 **"Affiliate"** shall mean (i) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by Merck or Vertex; or (ii) any corporation or business entity which, directly or indirectly, owns, controls or holds fifty percent (50%) (or the maximum ownership interest permitted by law) or more of the securities or other ownership interests representing the equity, the voting stock or, if applicable, the general partnership interest, of Merck or Vertex; or (iii) any corporation or business entity of which fifty percent (50%) or more of the securities or other ownership interests representing the equity, the voting stock or general partnership interest are owned, controlled or held, directly or indirectly, by a corporation or business entity described in (i) or (ii).

1.2 **"Aurora kinases"** means members of the human Aurora kinase family, including Aurora A, B, or C enzymes involved in chromosome segregation and cytokinesis during mitosis.

1.3 **"Calendar Quarter"** means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.4 **"Calendar Year"** means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.5 **"Change of Control"** means a transaction which results in (a) the voting securities of Vertex immediately prior to such transaction ceasing to represent at least [***] of the combined voting power of the surviving entity immediately after such transaction; (b) any Third Party (other than a trustee or other fiduciary holding securities under an employee benefit plan) becoming the

beneficial owner of [***] or more of the combined voting power of the outstanding securities of Vertex; or (c) a sale or other disposition to a Third Party of all or substantially all of the assets or business of Vertex related to this Agreement.

1.6 **"Clinical Trial"** means a Phase I Clinical Trial, Phase II Clinical Trial, and Pivotal Registration Study.

1.7 **"Collaboration Patent Rights"** means all patents and patent applications, certificates of invention and applications for certificates of invention, including divisions, continuations, continuations-in-part, reissues, renewals, extensions, supplementary protection certificates or the like or any of the foregoing and all foreign equivalents thereof that disclose and/or claim Joint Information and Inventions.

1.8 **"Combination Product"** means a Product which includes one or more therapeutically active ingredients (other than Product Candidate) in combination with Product Candidate. All references to Product in this Agreement shall be deemed to include Combination Product.

1.9 **"Compound"** means (1) VX-680, (2) Existing Compounds, (3) Merck AK Compounds, and (4) any small molecule chemical compound that is owned or Controlled by Vertex, or jointly by Vertex and Merck, including salts thereof, (i) whose [***] activity is the inhibition of one or more Aurora kinases [***], and (ii) is synthesized or tested for Aurora kinase activity [***] (including by screening) by Vertex (whether solely by Vertex or in collaboration with Merck) during the Research Program Term or during the [***] period immediately following the expiration of the Research Program Term. For the avoidance of doubt, "Compounds" shall not include any compound that has greater activity against a non-Aurora kinase target than its activity against an Aurora kinase, or any compound that has greater activity against a non-kinase target than its activity against an Aurora kinase.

1.10 **"Control," or "Controlled by"** means the legal authority or right of a Party to grant a license or sublicense of intellectual property to another Party without breaching the terms of any agreement with a Third Party, infringing the intellectual property rights of a Third Party, or misappropriating the proprietary or trade secret information of a Third Party.

1.11 **"Co-Promotion Territory"** means Canada, the United States of America, France, Italy, Germany, Spain and the United Kingdom.

1.12 **"Deferred Candidate"** is described in Section 3.7.

1.13 **"Demonstration of Biologic Activity"** means the demonstration to the reasonable satisfaction of the JRC that a Product Candidate can be administered to a human at a concentration and for a duration that results in observed changes in the activity of a biomarker at the level that is predicted to be efficacious in humans, based on preclinical models. The biomarker activity will be compared with baseline and derived through skin biopsy, blood, bone marrow or other appropriate sampling methods.

1.14 **"Development Candidate"** means (1) a Compound that meets the Development Candidate Criteria and is proposed by the JRC for formal preclinical development during the Research Program Term or during the Washout Period; (2) a Deferred Candidate that is selected by Merck for development during the Research Program Term or the Washout Period; or (3) a Compound that has not been proposed to the JRC but is selected by Merck for development.

1.15 **"Development Candidate Criteria"** are the criteria set out in *Schedule 1.15*, and as such criteria may be subsequently revised by the JRC.

1.16 **"Development Election"** means the decision by Merck to select a Development Candidate for formal development as a Product Candidate, pursuant to Section 3.6.

1.17 **"Development Information"** means all material information known to Vertex about a Development Candidate, including analytical results and raw data, which Merck should reasonably require in order to decide whether to make the Development Election with respect to that Development Candidate. An example of information that would constitute Development Information is listed in *Schedule 1.17*.

1.18 **"Development Plan"** is described in Section 3.5.

1.19 **"Existing Compounds"** means those compounds Controlled by Vertex (other than VX-680) that have been synthesized by Vertex prior to the Effective Date and whose primary activity is the inhibition of one or more Aurora kinases, [***] including those compounds specifically identified in *Schedule 1.19.*

1.20 **"Field"** means the use of Compounds (including, without limitation, Lead Compounds, Development Candidates and Product Candidates) and Products for any and all purposes.

1.21 **"Filing"** of an NDA shall mean the acceptance by a Regulatory Authority of an NDA for filing.

1.22 **"First Commercial Sale"** means, with respect to any Product, the first sale for end use or consumption of such Product in a country, excluding, however, any sale or other distribution for use in a Clinical Trial.

1.23 **"Follow-on Compound"** means all Product Candidates other than a Lead Compound.

1.24 **"Full Time Equivalent"** or **"FTE"** means the equivalent of a full-time scientist's work time over a twelve-month period (including normal vacations, sick days and holidays) which equates to a total of [***] weeks or [***] hours per year of work, on or directly related to the Research Program.

1.25 **"Improvement"** means any enhancement, whether or not patentable, in the formulation, ingredients, preparation, presentation, means of delivery, or dosage of Compound, or Product discovered or developed during the Research Program Term or Wash-Out Period.

1.26 **"Indication"** means a separate and distinct disease or medical condition in humans that a Product which is in Clinical Trial(s) is intended to treat, prevent and/or diagnose, or for which a Product has received Marketing Authorization, meaning that such Indication is contained in the Product's labeling approved by a Regulatory Authority in a Major Market as part of the Marketing Authorization for such Product. For the purposes of this Agreement, the following medical conditions and/or diseases in humans are "Indications":

(a) the following solid tumor cancers: non-small cell lung cancer, prostate cancer, breast cancer and colo-rectal cancer (each, a "Major Tumor Indication");

(b) any cancer type in humans other than as set out in 1.26(a) (such other cancer Indications are collectively referred to as "Other Oncology Indications");

(c) any non-oncology diseases or medical conditions in humans ("Non-Oncology Indications").

As used in Article 5, the term "Cancer Indication" shall refer to any Major Tumor Indication or any Other Oncology Indication.

1.27 **"Information"** means any and all information and data, including without limitation all Merck Know-How, all Vertex Know-How, and all other scientific, pre-clinical, clinical, regulatory, manufacturing, marketing, financial and commercial information or data, whether communicated in writing or orally or by any other method, which is provided by one Party to the other Party in connection with this Agreement.

1.28 **"Initiates"** means, with respect to a Clinical Trial, the administration of the first dose to a human in such Clinical Trial.

1.29 **"Invention"** means any process, method, composition of matter, article of manufacture, discovery or finding that is conceived and/or reduced to practice in the course of the Research Program.

1.30 **"Joint Information and Inventions"** means all discoveries, Improvements, processes, methods, protocols, formulas, data, Inventions, know-how and trade secrets, patentable or otherwise, arising from the Research Program developed or invented jointly by employees of Merck and Vertex or others acting on behalf of Merck and Vertex.

1.31 **"Joint Research Committee"** and **"JRC"** is defined in Section 2.4.

1.32 **"Lead Compound"** means that Product Candidate which is in the most advanced stage of development. VX-680 shall be the Lead Compound on the Effective Date. If there is at any time no Product Candidate in development, then the Lead Compound shall mean the next Product Candidate selected for development.

1.33 **"Major Market"** shall mean any one of the following countries: [***].

1.34 **"Marketing Authorization"** means all approvals from the relevant Regulatory Authority necessary to market and sell a Product in any country (including without limitation, all applicable pricing and governmental reimbursement approvals even if not legally required to sell Product in a country).

1.35 **"Merck AK Compounds"** means any small molecule chemical compound that is owned or Controlled by Merck, including salts thereof: (i) whose primary and selective activity is the inhibition of one or more Aurora kinases [***]; (ii) is synthesized or tested for Aurora kinase activity in an *in vitro* biochemical binding assay (including by screening) by Merck (whether solely by Merck or in collaboration with Vertex) during the Research Program Term [***] immediately following the expiration of the Research Program Term; and (iii) is developed by Merck as a kinase inhibitor. For the avoidance of doubt, "Merck AK Compounds" shall not include any compound that has greater activity against a non-Aurora kinase target than its activity against an Aurora kinase, or any compound that has greater activity against a non-kinase target than its activity against an Aurora kinase.

1.36 **"Merck AK Compound Patent Rights"** means any and all patents and patent applications in the Territory (which for the purposes of this Agreement shall be deemed to include certificates of invention and applications for certificates of invention) which during the term of this Agreement are owned or Controlled by Merck, which: (i) claim or cover Merck AK Compounds, and/or Product and Improvements; or (ii) are divisions, continuations, continuations-in-part, reissues, renewals, extensions, supplementary protection certificates, and the like of any such patents and patent applications and foreign equivalents thereof.

1.37 **"Merck Information and Inventions"** means all protocols, formulas, data, Inventions, know-how and trade secrets, patentable or otherwise, developed or invented solely by employees of Merck, or other persons not employed by Vertex acting on behalf of Merck, in the course of its performance of the Research Program or the Invention of any Merck AK Compound.

1.38 **"Merck Know-How"** means any information and materials, including but not limited to, discoveries, Improvements, processes, methods, protocols, formulas, data, inventions (including without limitation Merck Information and Inventions and Merck's rights in Joint Information and Inventions), know-how and trade secrets, patentable or otherwise, which are (i) identified or conceived by Merck or its Affiliates in the course of its performance of the Research Program under this Agreement, (ii) in Merck's Control, (iii) not generally known and (iv) necessary or useful to Vertex in the performance of Vertex's obligations under the Research Program.

1.39 **"Milestone"** is defined in Section 5.3.

1.40 **"Milestone Payment"** is defined in Section 5.3.

1.41 **"NDA"** means a New Drug Application, Worldwide Marketing Application, Marketing Application Authorization, or similar application or submission for Marketing Authorization of a Product filed with a Regulatory Authority to obtain marketing approval for a pharmaceutical product in that country or in that group of countries.

1.42 **"Net Sales"** means the gross invoice price of Product sold by Merck or its Related Parties to the first Third Party after deducting, if not previously deducted, from the amount invoiced or received:

(a) trade and quantity discounts other than early pay cash discounts;

(b) returns, rebates, chargebacks and other allowances;

(c) retroactive price reductions that are actually allowed or granted;

(d) the standard inventory cost of devices or delivery systems used for dispensing or administering Product; and

(e) a fixed amount equal to [***] of the amount invoiced to cover bad debt, sales or excise taxes, early payment cash discounts, transportation and insurance, custom duties, and other governmental charges.

With respect to sales of Combination Products, Net Sales shall be calculated [***].
If Product is sold only as a Combination Product, [***].

1.43 **"Patent Rights"** means any and all patents and patent applications in the Territory (which for the purposes of this Agreement shall be deemed to include certificates of invention and applications for certificates of invention) which during the term of this Agreement are owned or Controlled by Vertex, including, but not limited to, those listed on *Schedule 1.43*, which: (i) claim or cover Compounds, and/or Product (including without limitation (and for the avoidance of doubt) Development Candidates, Lead Compounds, Follow-On Compounds, Deferred Candidates and Product Candidates) and Improvements; (ii) claim or cover Vertex Information and Inventions; or (iii) are divisions, continuations, continuations-in-part, reissues, renewals, extensions, supplementary protection certificates, and the like of any such patents and patent applications and foreign equivalents thereof.

1.44 **"Party"** means Merck or Vertex, and **"Parties"** shall mean Merck and Vertex.

1.45 **"Phase I Clinical Trial"** means a human clinical trial in any country that would satisfy the requirements of 21 CFR 312.21(a).

1.46 **"Phase II Clinical Trial"** means a human clinical trial in any country that would satisfy the requirements of 21 CFR 312.21(b).

1.47 **"Pivotal Registration Study"** means a human clinical trial conducted for inclusion in (i) that portion of the FDA submission and approval process which provides for the continued trials of a Product Candidate on sufficient numbers of human patients to generate safety and efficacy data to support Marketing Authorization in the proposed therapeutic Indication, as more fully defined in 21 CFR 312.21(c), or (ii) equivalent Regulatory Agency submissions with similar requirements in a Major Market other than the United States.

1.48 **"Product(s)"** means any pharmaceutical or biological preparation in final form containing a Product Candidate (i) for sale by prescription, over-the-counter or any other method, or (ii) for administration to human patients in a Clinical Trial, for any and all uses in the Field, including without limitation, any Combination Product.

1.49 **"Product Candidate"** means a Development Candidate that has been selected by Merck for formal development, pursuant to exercise of its Development Election or otherwise. For the avoidance of doubt, VX-680 is a "Product Candidate."

1.50 **"Product Development Team"** and **"PDT"** is described in Section 3.5.

1.51 **"Regulatory Authority"** shall mean any applicable government regulatory authority involved in granting approvals for the manufacturing, marketing, reimbursement and/or pricing of a Product in the Territory, including, in the United States, the United States Food and Drug Administration, and any successor governmental authority having substantially the same function.

1.52 **"Related Party"** shall mean Merck, its Affiliates, and permitted sublicensees (which term does not include distributors).

1.53 **"Research Plan"** is described in Section 2.1

1.54 **"Research Program"** means the research activities undertaken by the Parties as set forth in Article 2 and *Schedule 2.1*.

1.55 **"Research Program Term"** means the two (2) year period starting on the Effective Date and ending on the second anniversary of the Effective Date. The Parties may mutually agree to extend the Research Program Term for an additional period, and the initial two-year term plus any agreed extension shall be referred to in this Agreement as the "Research Program Term."

1.56 **"Subsequent MT"** means a Major Tumor Indication being pursued with respect to a Product Candidate that was initially developed (and for which a Milestone Payment was made) for an Other Oncology Indication.

1.57 **"Territory"** means all of the countries in the world, and their territories and possessions.

1.58 **"Third Party"** means an entity other than Merck and its Related Parties, and Vertex and its Affiliates.

1.59 **"Third Party License"** is defined in Section 5.17.

1.60 **"Valid Patent Claim"** means a claim of an issued and unexpired patent included within the Patent Rights, Merck AK Compound Patent Rights, or Collaboration Patent Rights which claims any Product Candidate or Product as a composition of matter, which claim has not been revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction (which decision is not appealable or has not been appealed within the time allowed for appeal), and which claim has not been disclaimed, denied or admitted to be invalid or unenforceable through reissue, re-examination or disclaimer or otherwise.

1.61 **"Vertex Information and Inventions"** shall mean all discoveries, Improvements, processes, methods, protocols, formulas, data, Inventions, know-how and trade secrets, patentable or otherwise, discovered or developed, and Controlled by Vertex or its Affiliates, in the course of its performance of the Research Program under this Agreement, and related to the inhibition by a small molecule of one or more Aurora kinases, solely by employees of Vertex or other persons not employed by Merck acting on behalf of Vertex, provided, however, that the term "Vertex Information and Inventions" shall not apply to Vertex's general drug design technology whether in hardware or software form, tangible or intangible.

1.62 **"Vertex Know-How"** shall mean all information and materials, including but not limited to, discoveries, Improvements, processes, methods, protocols, formulas, data, inventions (including without limitation Vertex Information and Inventions and Vertex's rights in Joint Information and Inventions), know-how and trade secrets, patentable or otherwise, which are (i) discovered, developed, conceived, used or applied, and (ii) Controlled by Vertex or its Affiliates, either (x) in connection with the performance by Vertex of the Research Program, or (y) in connection with the conduct of a development program for a Product Candidate, prior to the end of the Wash-Out Period, and that are necessary or useful to Merck in connection with Merck's obligations under this Agreement, including the research, development, utilization, manufacture or use of

Compounds, Development Candidates, Product Candidates or Products (other than any such technology that is exclusive to kinases other than any of the Aurora kinases); provided, however, that the term "Vertex Know-How" shall not apply to Vertex's general drug design technology whether in hardware or software form, tangible or intangible.

1.63 **"VX-680"** is described in *Schedule 1.63*.

1.64 **"Washout Period"** means the [***] period immediately following the end of the Research Program Term.

ARTICLE 2: RESEARCH PROGRAM

2.1 ***Research Program—General.*** Vertex and Merck shall engage in the Research Program upon the terms set out in this Agreement. The Research Plan shown in *Schedule 2.1* sets out a detailed description of specific activities to be undertaken during the first twenty-four months of the Research Program. The Research Plan may be amended from time to time upon the mutual written agreement by authorized representatives of the Parties. The JRC will review and update the Research Plan annually. Subject to review and adjustment by the JRC, the Research Plan will set forth expectations with respect to the relative contributions of each Party to the Research Program.

2.2 ***Conduct of Research.*** Vertex and Merck each shall conduct the Research Program in good scientific manner, and in compliance in all material respects with all requirements of applicable laws, rules and regulations and all applicable good laboratory practices to attempt to achieve their objectives efficiently and expeditiously. Vertex and Merck each shall proceed diligently with the work set out in the Research Program by using their respective good faith efforts to allocate sufficient time, effort, equipment and facilities to the Research Program and to use personnel with sufficient skills and experience as are required to accomplish the Research Program in accordance with the terms of this Agreement and *Schedule 2.1*.

Vertex and Merck shall be entitled to utilize the service of Third Parties to perform their respective Research Program activities only upon the prior written consent of the other Party, or as specifically set forth in *Schedule 2.1*. Each Party shall also be entitled to use the services of Third Parties that have been pre-approved by the JRC to carry out routine Research Program activities, without the need for obtaining the other Party's prior written consent. Notwithstanding any such consent or pre-approval, both Parties shall remain at all times fully liable for its respective responsibilities under the Research Program.

2.3 ***Personnel Resources.*** Vertex shall devote to the Research Program [***] during the period from the Effective Date through December 31, 2004. Thereafter until the end of the Research Program Term, Vertex will commit [***] on an annualized basis. Merck will devote resources to the Research Program as provided in the Research Plan, and as that Research Plan may be periodically updated.

2.4 ***Joint Research Committ ee.*** The Parties will establish a Joint Research Committee (the "JRC") with equal representation from Vertex and Merck to oversee the Research Program during the Research Program Term. The JRC will be formed as soon as practicable after the Effective Date and, thereafter, will meet formally at least quarterly to:

(a) coordinate and review Research Program activities and interactions between Merck and Vertex;

(b) receive and review reports by Vertex and Merck concerning research being conducted under the Research Plan, including, but not limited to the status of Compounds meeting Development Candidate Criteria;

(c) review any proposed Development Candidates and notify Merck each time a Compound meets the Development Candidate Criteria;

(d) review, consider and approve revisions to the Research Plan;

(e) periodically review the overall goals and strategy of the Research Program and consider whether redirection or termination of the Research Program would be appropriate; and

(f) discuss matters relating to Research Program intellectual property.

2.4.1 During the term of the Research Program Term (and, at Vertex's option, for the [***] period immediately following the expiration of the Research Program Term), Vertex and Merck shall each appoint a representative to act as a Co-Chair of the JRC. The JRC Co-Chairs shall each have authority to call meetings of the JRC, and shall each have responsibility for circulating agenda and performing administrative tasks required to assure efficient operation of the JRC. The JRC will act by unanimous vote, with each of Merck and Vertex having one vote. The members of the JRC will attempt in good faith to reach consensus on all matters brought before the JRC. Any changes to the Research Plan which would materially alter the allocation of research responsibilities between the Parties or the cost to Vertex of implementing the Research Plan, which would change in any material respect the overall goals and strategy for the Research Program or which would provide for redirection or termination of the Research Program, will require the consent of both Parties. With respect to other matters properly subject to decision by the JRC (including proposed amendments to the Development Candidate Criteria), if the JRC is deadlocked, the dispute will be subsequently referred for resolution to the Sr. Vice President of Merck responsible for the Research Program, and the Sr. Vice President of Vertex responsible for the Research Program. Failing agreement at this level, the dispute will be referred to the President of Merck Research Laboratories, and to the President of Vertex. If agreement cannot be reached by such representatives, Merck shall have the right to make the final decision.

2.4.2 ***Meetings.*** The JRC shall meet in accordance with a schedule established by mutual written agreement of the Parties, but no less frequently than once per Calendar Quarter, with the location for such meetings alternating between Vertex and Merck facilities (or such other locations as is determined by the JRC). Alternatively, the JRC may meet by means of teleconference, videoconference or other similar communications equipment. Additional representatives or consultants may from time to time, by mutual consent of the Parties, be invited to attend JRC meetings, subject to such representative's and consultant's written agreement to comply with the requirements of Section 4.1. Each Party shall bear its own expenses related to the attendance of such meetings by its representatives.

2.5 ***Exchange of Information.*** Upon execution of this Agreement, and on an ongoing basis during the Research Program Term, (a) Vertex shall disclose to Merck all Vertex Know-How not previously disclosed; and (b) Merck shall disclose to Vertex all Merck Know-How not previously disclosed.

2.6 ***Records and Reports***

2.6.1 ***Records.*** Each Party shall maintain records, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall fully and properly reflect all work done and results achieved in the performance of the Research Program.

2.6.2 ***Copies and Inspection of Records.*** Each Party shall have the right, during normal business hours and upon reasonable notice, to inspect and copy all such records of the other referred to in subsection 2.6.1. Each Party shall maintain such records and the information disclosed therein in confidence in accordance with Section 4.1. Each Party shall have the right to arrange for its employees and/or consultants involved in the activities contemplated hereunder to visit the offices and laboratories of the other Party during normal business hours and upon reasonable notice, and to discuss the Research Program work and its results in detail with the technical personnel and consultants of the other Party. Upon request, each Party shall provide copies of the records described in subsection 2.6.1 to the other Party.

2.7 ***Research Program Information and Inventions.*** The entire right, title and interest in:

2.7.1 Vertex Information and Inventions and Patent Rights shall be owned solely by Vertex;

2.7.2 Merck Information and Inventions and Merck AK Compound Patent Rights shall be owned solely by Merck; and

2.7.3 Joint Information and Inventions and Collaboration Patent Rights shall be owned jointly by Vertex and Merck.

Vertex shall promptly disclose to Merck the development, making, conception or reduction to practice of Vertex Information and Inventions and Joint Information and Inventions. Merck shall promptly disclose to Vertex the development, making, conception or reduction to practice of Merck Information and Inventions and Joint Information and Inventions. Inventorship will be determined in accordance with the United States laws of inventorship.

2.8 ***Exclusive Efforts.*** During the [***], neither Vertex nor Merck or any of their Affiliates will [***], other than pursuant to the terms of this Agreement, of [***]. Nothing in this Agreement prohibits either Party from counter-screening other compounds directed at other targets against Aurora kinase. If Merck begins development or commercialization of a Merck AK Compound at any time prior to the [***] of the expiration of the Washout Period, Merck shall be obligated to pay Vertex any and all applicable Milestone Payments and royalties (and any other amounts, such as interest penalties) due under Article 5 of this Agreement for such Merck AK Compound (subject to the exception set forth in Section 5.9).

ARTICLE 3: LICENSE; EXCHANGE OF INFORMATION; DEVELOPMENT AND COMMERCIALIZATION

3.1 ***License Grant***

3.1.1 Subject to the terms and conditions of this Agreement (including Section 8.5), Vertex hereby grants to Merck a perpetual, exclusive license (even as to Vertex) in the Territory in the Field under Patent Rights and Vertex's rights under Collaboration Patent Rights, with a right to sublicense, to VX-680, Compounds and Products (including without limitation (and for the avoidance of doubt), Development Candidates, Lead Compounds, Follow-On Compounds, Deferred Candidates and Product Candidates), for any and all uses, including but not limited to: (i) to discharge its obligations and exercise its rights under the Research Program and Development Plan; and (ii) to develop, make, have made, use, offer to sell, sell or import VX-680, Compounds, and Products (including without limitation (and for the avoidance of doubt), Development Candidates, Lead Compounds, Follow-On Compounds, Deferred Candidates and Product Candidates).

3.1.2 Subject to the terms and conditions of this Agreement (including Section 8.5), Vertex hereby grants to Merck (a) a perpetual, non-exclusive license under all Vertex Know-How (excluding Vertex Information and Inventions and Vertex's rights in Joint Information and Inventions);

and (b) a perpetual, co-exclusive license (together with Vertex) under Vertex Information and Inventions and Vertex's rights under Joint Information and Inventions, in the Territory in the Field, with the right to sublicense, solely to: (i) discharge its obligations and exercise its rights under the Research Program and Development Plan; and (ii) develop, make, have made, use, offer to sell, sell or import VX-680, Compounds and Products (including without limitation (and for the avoidance of doubt), Development Candidates, Lead Compounds, Follow-On Compounds, Deferred Candidates and Product Candidates).

3.1.3 Notwithstanding the foregoing, Vertex shall retain rights under the Patent Rights, Vertex Know-How, Vertex Information and Inventions, Vertex's rights in Joint Information and Inventions and Vertex's rights in Collaboration Patent Rights to the extent necessary or useful for the term of the Research Program, to discharge its obligations and exercise its rights under this Agreement.

3.1.4 Merck hereby grants to Vertex a non-exclusive license under all Merck Know-How, Merck Information and Inventions, Merck's rights under the Collaboration Patent Rights, and Joint Information and Invention, for the period of the Research Program Term and the [***] after termination of the Research Program Term, to discharge Vertex's obligations and exercise its rights under this Agreement.

3.2 ***Non-Exclusive License Grant.*** If the making, having made, use, offer for sale, sale or import by Merck, or Merck's Related Parties of Compound(s), Product Candidates or Product(s) otherwise permitted under this Agreement would infringe during the term of this Agreement a claim of issued letters patent which Vertex Controls and which patents are not covered by the grant in Section 3.1, Vertex hereby grants to Merck, to the extent Vertex is legally able to do so, a non-exclusive, sublicensable, royalty-free license in the Territory under such issued letters patent solely for Merck to develop, make, have made, use, sell, offer for sale or import Compound(s) and Product(s) in the Territory.

3.3 ***Development and Commercialization.*** As soon as practicable after the Effective Date, Merck will commence a Development Plan with respect to VX-680. With respect to each Product Candidate, Merck shall use reasonable efforts, consistent with the usual practice followed by Merck in pursuing the development, commercialization and marketing of its other pharmaceutical products of a similar commercial value, to develop, commercialize and market such Product Candidate in such countries in the Territory where in Merck's reasonable opinion it is commercially viable to do so. In the event that Merck elects not to commercialize any Product Candidate in the United States and at least four of the other Major Markets (i.e., [***]) as a result of the Product Candidate's projected commercial returns, Merck agrees to promptly inform Vertex of such election. Vertex is entitled to propose to Merck, and Merck shall discuss in good faith with Vertex, commercial terms for a buyout of such Product Candidate by Vertex for development by Vertex, provided, however, that Merck shall have no obligation to agree to grant Vertex rights to any Product Candidate, if such grant would in Merck's sole discretion, negatively impact any product being developed or commercialized by Merck.

3.4 ***Excused Performance.*** The obligations of Merck with respect to any Product under Section 3.3 are expressly conditioned upon the continuing absence of any material adverse condition or event relating to the safety or efficacy of the Product, and the obligation of Merck to develop or market any such Product shall be delayed or suspended so long as in Merck's opinion any such condition or event exists. Merck shall be obligated to take commercially reasonable and appropriate steps to investigate and attempt to resolve any such adverse condition or event. If, in Merck's opinion, such material adverse condition or event arises, Merck shall promptly inform Vertex, and will provide Vertex with an explanation for any decision to delay or to suspend the development or marketing

of the Product, together with a description of actions planned by Merck to resolve (where commercially reasonable) the underlying cause of such delay or suspension.

3.5 ***Product Development Teams.*** As soon as practicable following the Effective Date, Merck will establish a Product Development Team ("PDT"), which shall include, at Vertex's option, [***] representatives designated by Vertex, *provided* that [***]. Additional Product Development Teams, which shall also include [***]Vertex representatives, at Vertex's option, may be established from time to time in connection with the development of additional Product Candidates. The PDT will be the principal organization through which the development of a Product Candidate is planned, administered, evaluated and completed, subject to appropriate review and approval at senior management levels as required by Merck from time to time. In addition to the Vertex representatives, the PDT will typically have members from the various Merck functional groups (e.g., research, preclinical, safety, clinical, regulatory, and marketing) which are or which will be expected to be involved in developing and obtaining regulatory approval for the Product Candidate and Product. Merck will appoint each PDT Chair. The PDT will be responsible for the preparation, implementation of the Development Plan (described below) with respect to each Product Candidate.

3.5.1 ***Development Plan.*** The PDT shall prepare and oversee the implementation of the overall Development Plan for each Product Candidate. The Development Plan shall, among other things, detail, schedule and fully describe the proposed toxicology studies, Clinical Trials, clinical material requirements for each Product Candidate, and will outline the key elements involved in obtaining Regulatory Approval in each Major Market. Vertex's representatives on the PDT (or Vertex, if Vertex has no representative on the PDT) will receive all documents and information distributed or communicated to members to the PDT generally (or to any one or more members of the PDT in connection with the discharge of his or her duties on the PDT).

3.5.2 ***Development Responsibility and Costs.*** Merck shall have sole responsibility for, and bear the cost of implementing, the Development Plan with respect to each Product Candidate.

3.5.3 ***Regulatory Approvals.*** Merck shall be solely responsible for preparing and submitting registration dossiers for Regulatory Approval of Products in the Territory. All Regulatory Approvals shall be held by and in the name of Merck, and Merck shall own all submissions in connection therewith. Merck shall have sole discretion as to the regulatory strategy and decision making for any Product Candidate or Product; *provided*, *however*, that Merck shall provide Vertex with an opportunity to review Merck's general regulatory strategy and decision-making either by participating in the PDT or other approach mutually agreed-upon by the Parties.

3.6 ***Development Election.*** During the Research Program Term and the Washout Period, Merck shall have the exclusive right to select Compounds for further development and commercialization. The JRC will notify Merck each time a Compound meets the Development Candidate Criteria. The notice will be accompanied by the Development Information with respect to that Development Candidate. Merck may exercise its Development Election and accept the Development Candidate as a Product Candidate by delivery to Vertex, within [***] after receipt by Merck of the Development Information, of an exercise notice specifying the Development Candidate as to which the Development Election is being exercised. Notwithstanding the foregoing, if Merck shall at any time commence a Phase I Clinical Trial on a Compound without having formally exercised its Development Election, Merck shall be deemed to have exercised its Development Election with respect to such Compound.

3.7 ***Deferred Candidates.*** Any Development Candidate with respect to which Merck (1) elects not to accept as a Product Candidate; or (2) fails to exercise its Development Election within the [***]

period referenced in Section 3.6, shall be a "Deferred Candidate." If, during the Research Program Term, Merck ceases to be actively engaged in the development of a Product Candidate, Vertex may propose a Deferred Candidate to Merck for Development Election.

During the Research Program Term and Washout Period, Merck shall be entitled, in its sole discretion, to exercise its Development Election with respect to any (1) Compounds not previously presented to it as a Development Candidate; and (2) Deferred Candidates. Vertex shall not grant to any Third Party rights which are inconsistent with the grant of the Development Election to Merck under this Agreement. Upon expiration of the Research Program Term and Washout Period, the rights of the Parties with respect to any Compounds and Deferred Candidates shall be as set forth in Section 8.5 of this Agreement.

3.8 ***No Implied Licenses.*** Except as specifically set forth in this Agreement, neither Party shall acquire any license or other intellectual property interest, by implication or otherwise, in any Information disclosed to it under this Agreement or under any patents or patent applications owned or Controlled by the other Party or its Affiliates. In addition, Vertex shall not acquire any right, title or intellectual property interest to any Merck AK Compounds or Merck AK Patent Rights, except for such rights to financial compensation, if any, with respect to Merck AK Compounds in accordance with Section 2.8 and Article 5 of this Agreement.

3.8.1 To the extent it is contractually able to do so, Vertex agrees to review with Merck during the Research Program Term the potential for further collaboration directed to kinases studied by Vertex which are believed to have a potential role in oncology therapeutics.

3.9 ***Use of Vertex Logo.*** Where not prohibited by law or regulation, and subject to any required Regulatory Approval, which Merck shall use reasonable efforts to obtain, Vertex's name and logo will be carried on all Product packaging, packaging inserts, labels, containers and printed material related thereto with a prominence substantially equivalent to that of Merck's name and logo, provided, however that such requirement shall no longer apply in the event of a Change of Control of Vertex. Any trademark for a Product will be selected by, and will be the property of, Merck.

3.10 ***Supply of Bulk Drug Substance For Clinical Trials.*** Vertex shall promptly provide Merck with its existing inventory of clinical trial material for VX-680. Vertex shall also promptly provide Merck with Information in its possession relative to the manufacturing, formulation, and packaging of VX-680. Merck will be responsible for the manufacture of all bulk drug substance and clinical drug formulations of all Product Candidates, and for all manufacturing activities relating to the production, formulation and manufacture of commercial supplies of Products.

3.11 ***Co-Promotion by Vertex.*** Not less than [***] before the projected market introduction of any Product in a country within the Co-Promotion Territory, Vertex is entitled to give notice and propose to Merck, and Merck shall discuss in good faith with Vertex the feasibility of a co-promotion plan for Products on a fee-for-detail basis within the Co-Promotion Territory (including minimum co-promotion sales force size) and in accordance with the conditions set out in *Schedule 3.11*. If the Parties jointly decide to implement such a plan, Vertex and Merck shall initiate good faith negotiations and seek to enter into a mutually acceptable definitive written agreement ("Co-Promotion Agreement") regarding Specialist Detailing (as described in *Schedule 3.11*) on a country-by-country basis no later than [***] before the projected market introduction of a Product in a country within the Co-Promotion Territory. Notwithstanding the foregoing, if Merck determines at the time of completion of [***] that earlier notice from Vertex of its intention to enter into a Co-Promotion Agreement would be desirable in order to optimally plan and execute a Product launch, the Parties will agree on a revised schedule for the negotiation and execution of the Co-Promotion Agreement consistent with the opinion of Merck's regulatory experts about the anticipated Regulatory Authority review time for the corresponding NDA. Furthermore, if the Parties enter into a Co-Promotion Agreement on this revised schedule, the

Parties recognize that Vertex [***], and Merck will take this into account in determining the minimum number of representatives Vertex will provide at launch, [***] the Co-Promotion Agreement, in a timely manner as agreed to by both Parties.

3.11.1 The Co-Promotion Agreement shall be subject to the terms and conditions set forth in *Schedule 3.11*. In the event that Merck elects to outsource sales of any Product Candidate or Product in the Major Markets to a Third Party with which it does not have a pre-existing business relationship, it shall promptly inform Vertex of such election and shall negotiate in good faith with Vertex with respect to sales of such Product Candidate or Product.

ARTICLE 4: CONFIDENTIALITY AND PUBLICATION

4.1 ***Nondisclosure Obligation.*** All Information disclosed by one Party to the other Party shall be maintained in confidence by the receiving Party and shall not be disclosed to a non-Party or used for any purpose except as set forth herein without the prior written consent of the disclosing Party, except to the extent that such Information:

4.1.1 is known by receiving Party at the time of its receipt, and not through a prior disclosure by the disclosing Party, as documented by the receiving Party's contemporaneous business records;

4.1.2 is properly in the public domain;

4.1.3 is subsequently disclosed to the receiving Party by a Third Party who may lawfully do so and is not under an obligation of confidentiality to the disclosing Party;

4.1.4 is developed by the receiving Party independently of Information received from the disclosing Party, as documented by the receiving Party's contemporaneous business records;

4.1.5 is disclosed to governmental or other regulatory agencies to comply with applicable law or regulations, provided the receiving Party provides to the disclosing Party prompt prior written notice of its obligation to make such disclosure and take reasonable and lawful actions to avoid or minimize the degree of such disclosure;

4.1.6 is disclosed to governmental or other regulatory agencies to obtain patents or to gain or maintain approval to conduct clinical trials or to market Product, but such disclosure may be only to the extent reasonably necessary to obtain patents or authorizations; and

4.1.7 is deemed necessary by Merck in the reasonable exercise of its judgment to be disclosed to Related Parties, agents, consultants, and/or other Third Parties for any and all purposes Merck and its Affiliates deem necessary or advisable for the research and development, manufacturing and/or marketing of the Product (or for such entities to determine their interest in performing such activities) in accordance with this Agreement on the condition that such Third Parties agree to be bound by confidentiality and non-use obligations that are substantially no less stringent than those confidentiality and non-use provisions contained in this Agreement; *provided* the term of confidentiality for such Third Parties shall be no less than [***].

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the receiving Party unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the receiving Party.

If a Party is required by judicial or administrative process to disclose Information that is subject to the non-disclosure provisions of this Section 4.1 or Section 4.2, such Party shall promptly inform

the other Party of the disclosure that is being sought in order to provide the other Party an opportunity to challenge or limit the disclosure obligations. Information that is disclosed by judicial or administrative process shall remain otherwise subject to the confidentiality and non-use provisions of this Section 4.1 and Section 4.2, and the Party disclosing Information pursuant to law or court order shall take all steps reasonably necessary, including without limitation obtaining an order of confidentiality, to ensure the continued confidential treatment of such Information.

4.2 ***Vertex Know-How.*** Subject to the provisions of Section 4.3, Vertex agrees to keep all Vertex Know-How confidential subject to the exceptions set forth in Sections 4.1.2, 4.1.5, 4.1.6 and 4.1.7 (substituting Vertex's judgment and disclosure for Merck's) and to Vertex's contractual obligations arising prior to the Effective Date.

4.3 ***Publication.***

(a) Merck and Vertex each acknowledge the other Party's interest in publishing the results of its research in order to obtain recognition within the scientific community and to advance the state of scientific knowledge. Authorship of any publication shall be determined based on the accepted standards used in peer-reviewed, academic journals at the time of the proposed publication. Each Party also recognizes the mutual interest in obtaining valid patent protection and in protecting business interests and trade secret information. Consequently, except for disclosures permitted pursuant to Section 4.1, if either Party, its employees or consultants wishes to publish or publicly present, during the Research Program Term and/or the Washout Period, results of the Research Program or any information about a Compound, Product Candidate, Product, or the results of any program to discover or develop any of the above, it shall deliver to the other Party a copy of the proposed written publication or an outline of an oral disclosure at least [***] prior to submission for publication or presentation. The reviewing Party shall notify the other Party within [***] of receipt of such proposed publication whether such draft publication contains (i) Information that is confidential to the reviewing Party, or (ii) information that if published would have an adverse effect on a patent application covering the subject matter of this Agreement. The reviewing Party shall have the right to (a) propose modifications to the publication or presentation for patent reasons, trade secret reasons, confidentiality reasons or business reasons or (b) request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests a delay to protect patentable information, the publishing Party shall delay submission or presentation for a period not to exceed [***] to enable patent applications protecting each Party's rights in such information to be filed in accordance with Article 7. Upon expiration of such [***] the publishing Party shall be free to proceed with the publication or presentation. If the reviewing Party reasonably requests modifications to the publication or presentation to prevent disclosure of trade secret or proprietary business information, the publishing Party shall edit such publication to prevent the disclosure of such information prior to submission of the publication or presentation. For the avoidance of doubt, neither Party shall be entitled publish Information of the other in violation of Section 4.1.

(b) After the expiration of the Research Program and the Washout Period, the Parties shall continue to be obligated to adhere to the guidelines set out in Section 4.3(a), but solely with respect to publications or public presentations containing information about a Development Candidate, Product Candidate, and/or a Product, except that if Merck, its employees or consultants wishes to publish or publicly present clinical data or clinical information about a Development Candidate, Product Candidate, or Product being developed by Merck pursuant to this Agreement, it shall be obligated deliver to Vertex a copy of the proposed written publication or an outline of an oral disclosure at least [***] prior to submission for publication or presentation. Vertex shall notify Merck within [***] of receipt of such proposed publication whether such draft publication contains (i) Information that is confidential to Vertex, or

(ii) information that if published would have an adverse effect on a patent application covering the subject matter of this Agreement. If Vertex reasonably requests modifications to the publication or presentation to prevent disclosure of trade secret or proprietary business information, Merck shall edit such publication to prevent the disclosure of such information prior to submission of the publication or presentation. If Vertex requests a delay to protect patentable information, Merck shall delay submission or presentation for a period not to exceed [***] to enable patent applications protecting each Party's rights in such information to be filed in accordance with Article 7. Upon expiration of such [***], Merck shall be free to proceed with the publication or presentation.

(c) This Section 4.3 shall terminate with the termination of this Agreement, but the provisions of Section 4.1 shall continue to govern the disclosure by one Party, by publication or otherwise, of Information of the other, during the period set forth in Section 8.6.

4.4 ***Publicity/Use of Names.*** Merck and Vertex shall agree upon the timing and content of an initial press release relating to this Agreement and the transactions contemplated herein. Except to the extent already disclosed in that initial press release, no disclosure of the existence of this Agreement, its subject matter or its terms may be made by either Party, and no Party shall use the name, trademark, trade name or logo of the other Party or its employees in any publicity, news release or disclosure relating to this Agreement or its subject matter, without the prior express written permission of the other Party, except as may be required by applicable laws, regulations, or judicial order. The Party desiring to make any such public announcement shall provide the other Party with a written copy of the proposed announcement in sufficient time prior to public release to allow such other Party to comment upon such announcement, prior to public release.

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

ARTICLE 5: PAYMENTS; ROYALTIES AND REPORTS

5.1 ***Research Program Funding.*** In consideration for Vertex's performance of its obligations under the Research Program (including its FTE staffing obligations pursuant to Section 2.3), upon the terms and conditions contained herein, Merck shall pay Vertex:

(a) [***] for the period from the Effective Date through December 31, 2004, such payment to be made by Merck in two equal installments of [***], the first of which will be paid within [***] and the second of which will be paid [***]; and

(b) additional research support thereafter at an annual rate of [***] for the balance of the Research Program Term (the "Annual Research Fees"), such payments to be made in equal payments of US [***] per Calendar Quarter, payable in advance, with the first such quarterly payment due on or before [***].

The required payments are based upon the following assumptions: (a) the [***] of FTEs which Vertex will have employed in the Research Program for the portion of the Research Program that ends on [***] (the "Early Period") will be [***]; (b) the [***] of FTEs which Vertex will have employed in the Research Program for the portion of the Research Program beginning on

January 1, 2005 and ending upon the termination of the Research Program Term [***]; and (c) the annual rate per FTE is [***]. If the average FTE level for any of the Early Period, Calendar Year 2005, or the remainder of the Research Program Term after Calendar Year 2005 is less than the level specified above for that period (the difference being referred to in this section as an "FTE Shortfall"), then the amount of funding specified above for that period shall be reduced by an amount (the "FTE Shortfall Amount") that bears the same relation to the total funding specified for that period as the FTE Shortfall bears to the projected FTE level for that period. The FTE Shortfall Amount shall be carried over from period to period and applied to compensate Vertex for FTE levels in subsequent periods that exceed the level for those periods as specified above. In any such subsequent period, Vertex shall be entitled to receive out of any remaining FTE Shortfall Amount a payment equal to the value (computed with reference to the FTE rate specified in (c) above) of any FTEs employed in the Research Period in excess of the FTE level specified above for such period.

5.2 ***Consideration for License.*** In consideration for the licenses granted pursuant to Article 3 and the research obligations set forth herein, upon the terms and conditions contained herein, Merck shall pay to Vertex a one-time payment of twenty million dollars (US $20,000,000) within five (5) business days of the Effective Date.

5.3 ***Milestone Payments.*** In addition to the payments set out in Sections 5.1 and 5.2, the following amounts (each, a "Milestone Payment") shall be payable only once if (and only if) the corresponding milestones with regard to a Product are satisfied (each a "Milestone"):

5.4 ***Lead Compound Milestones for First Cancer Indication***

(a)[***]	$[***]
(b) Demonstration of Biologic Activity	$7,500,000
(c) Merck Initiates first Phase II Clinical Trial	$10,000,000
(d) Merck Initiates first Pivotal Registration Study	$25,000,000
(e)[***]	$[***]
(f)[***]	$[***]

5.5

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]

5.6

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]

5.7

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]

5.8

[***]

5.8A

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]
(d)[***]	$[***]

5.8B

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]
(d)[***]	$[***]

5.9

[***]

(a) Development Election for 1st Follow-On Compound	$12,000,000
(b) Development Election for 2nd Follow-On Compound	$9,000,000
(c)[***]	$[***]

[***]

[***]

5.10 Milestones for Follow-On Compounds

5.10A

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]
(d)[***]	$[***]
(e)[***]	$[***]

5.10B

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]

5.10C

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]

5.10D

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]

5.11

[***]

5.11A

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]
(d)[***]	$[***]

5.11B

[***]

(a)[***]	$[***]
(b)[***]	$[***]
(c)[***]	$[***]
(d)[***]	$[***]

5.12 ***Milestone Payments—General.*** (a) [***] Merck shall notify Vertex in writing within thirty (30) days upon the achievement (or deemed achievement) of each Milestone, and shall make the appropriate Milestone Payment within [***] of the achievement (or deemed achievement) of such Milestone.

(b) Once a Product achieves a Milestone for a particular Indication, it will be deemed to have achieved all earlier Milestones for such Indication, and any Milestone Payment for such earlier Milestone shall become due and payable to the extent it has not already been previously paid.

(c) [***]

(d) Each Milestone Payment shall be payable upon achievement of such Milestone by action of any of Merck or a Related Party.

5.13 ***Royalties***

5.13.1 ***Royalties Payable By Merck.*** Subject to the terms and conditions of this Agreement, Merck shall pay to Vertex royalties on a country-by-country basis as set out in this Section 5.13.

5.13.2 ***Patent Royalties***

Subject to the provisions of this Agreement, including Section 5.13.3, Merck shall pay Vertex royalties in an amount equal to the following percentages of Net Sales of Products by Merck or its Related Parties, provided that the sale of Product would infringe a Valid Patent Claim in the country of sale:

- For Calendar Year Net Sales in the Territory between [***]: : [***]
- For those incremental Calendar Year Net Sales in the Territory [***]: [***]
- For those incremental Calendar Year Net Sales in the Territory greater than [***]: [***]

Royalties on each Product at the Patent royalty rates set forth above shall continue on a country-by-country basis until the later of (a) [***] from the date of First Commercial Sale of such Product in such country, or (b) the expiration of the last-to-expire Valid Patent Claim in effect in such country that would be infringed by the sale of such Product. This Section 5.13.2 shall apply to sales of Products in any country where such sale would infringe a Valid Patent Claim at any time, even if such Valid Patent Claim subsequently expires before the [***] of the date of First Commercial Sale of such Product in such country.

5.13.3 ***Know-How Royalty.***

(a) If the sale of Product would infringe a Valid Patent Claim in the United States and at least [***] of the other Major Markets (i.e., [***]) ("Major Markets Condition"), in any countries

where the sale of Product by Merck or its Related Parties would not infringe a Valid Patent Claim and royalties would not be due under Section 5.13.2 (each, a "Non-Patent Country"), Merck shall pay royalties to Vertex at the applicable royalty rate determined according to Section 5.13.2. Merck shall pay Vertex royalties at such rates for [***] from the date of First Commercial Sale of a Product in each such Non-Patent Country (the "Know-How License Term"), on a Product-by-Product and country-by-country basis. Notwithstanding the above, if at any time during the Know-How License Term applicable to a particular Non-Patent Country, a Third Party sells a pharmaceutical product which is a "generic version" of a Product being sold in that country (a "Third Party Product")—where "generic version" means [***], the royalties payable to Vertex by Merck on Net Sales of such Product in such country for such period shall be [***] of the applicable royalty rate determined according to Section 5.13.2.

(b) Notwithstanding the provisions of Section 5.13.2, and except as set forth in Section 5.13.3(a), in countries where the sale of Product by Merck or its Related Parties would not infringe a Valid Patent Claim and royalties would not be payable under Section 5.13.2, Merck shall pay royalty rates that shall be set at [***] of the applicable royalty rate determined according to Section 5.13.2 (the "Know-How Royalty Rate"). Such royalties shall be calculated after first calculating royalties under Section 5.13.2. Merck shall pay Vertex royalties at the Know-How Royalty rate from the date of First Commercial Sale of a Product, for [***], on a Product-by-Product and country-by-country basis.

5.13.4 Royalty tiers pursuant to 5.13.2 and 5.13.3 shall be calculated based on Net Sales of each Product in the Territory, provided that the determination of whether the royalty shall be calculated under 5.13.2 or 5.13.3 shall be determined on a country-by-country basis. All royalties are subject to the following conditions:

(x) that only one royalty shall be due with respect to the same unit of Product;

(y) that no royalties shall be due upon the sale or other transfer among Merck or its Related Parties, but in such cases the royalty shall be due and calculated upon Merck's or its Related Party's Net Sales to the first independent Third Party; and

(z) no royalties shall accrue on the disposition of Product without consideration in reasonable quantities by Merck or its Related Parties as samples (promotion or otherwise) or as donations (for example, to non-profit institutions or government agencies for a non-commercial purpose).

5.14 ***Change in Sales Practices.*** The Parties acknowledge that during the term of this Agreement, Merck's sales practices for the marketing and distribution of Product may change to the extent that the calculation of the payment for royalties on Net Sales may become impractical or even impossible. In such event, the Parties agree to meet and discuss in good faith new ways of compensating Vertex to the extent currently contemplated under Section 5.13.

5.15 ***Royalties for Bulk Compound.*** In those cases where Merck sells bulk Compound rather than Product in packaged form to an independent Third Party, such sale shall be made in an arm's length transaction and the royalty obligations of Section 5.13 shall be applicable to the bulk Compound.

5.16 ***Compulsory Licenses.*** If a compulsory license required under applicable law is granted to a Third Party with respect to Product in any country in the Territory with a royalty rate lower than the royalty rate provided by Section 5.13, then the royalty rate to be paid by Merck on Net Sales in that country under Section 5.13 shall be reduced to the rate paid by the compulsory licensee.

5.17 ***Third Party Licenses.*** If one or more patent licenses from other Third Parties are required by Merck or its Related Parties in order to make, have made, use, offer to sell, sell or import Product

Candidate or Product(s) (hereinafter "Third Party Patent Licenses"), or in the absence of such Third Party Patent License, the use by Merck of the Patent Rights, Vertex Know-How or Vertex Information and Inventions would infringe Third Party patents rights, then [***] of the consideration actually paid under such Third Party Patent Licenses by Merck or its Related Parties for sale of such Product in a country for a Calendar Quarter shall be creditable against the royalty payments due Vertex by Merck with respect to the sale of such Products in a country; *provided*, that the royalty payment to Vertex on account of sales in that country for such Calendar Quarter shall not be reduced by more than [***] the monies otherwise owed to Vertex; and any amounts not able to be reduced due to the immediately foregoing limitation shall be carried forward to future Calendar Quarters for crediting against future royalties in such country. [***]

5.18 ***Reports; Payment of Royalty.*** During the term of this Agreement following the First Commercial Sale of a Product, Merck shall furnish to Vertex a quarterly written report for the Calendar Quarter showing (i) the Net Sales of all Products subject to royalty payments sold by Merck and its Related Parties in the Territory during the reporting period; and (ii) the royalties payable under this Agreement. Reports shall be due on the [***] day following the close of each Calendar Quarter, although Merck shall use its commercially reasonable efforts to also provide Vertex with a "flash" report of estimated Net Sales, only, within [***] days after the end of each calendar month. Royalties shown to have accrued by each royalty report shall be due and payable on the date such royalty report is due. Merck shall keep complete and accurate records in sufficient detail to enable the royalties payable hereunder to be determined and to be verified by Vertex's accounting firm pursuant to Section 5.19.

5.19 ***Audits.*** Upon the written request of Vertex and not more than once in each Calendar Year, Merck shall permit an independent certified public accounting firm of nationally recognized standing selected by Vertex and reasonably acceptable to Merck, at Vertex's expense, to have access during normal business hours to such of the records of Merck as may be reasonably necessary to verify the accuracy of the royalty reports hereunder for any year ending not more than [***] prior to the date of such request. The accounting firm shall disclose to Vertex only whether the royalty reports are correct or incorrect and the specific details concerning any discrepancies. No other information shall be provided to Vertex.

If such accounting firm correctly identifies a discrepancy made during such period, the appropriate Party shall pay the other Party the amount of the discrepancy within [***] of the date Vertex delivers to Merck such accounting firm's written report so correctly concluding, or as otherwise agreed upon by the Parties. The fees charged by such accounting firm shall be paid by Vertex.

Merck shall include in each sublicense granted by it pursuant to this Agreement a provision requiring the sublicensee to make reports to Merck, to keep and maintain records of sales made pursuant to such sublicense and to grant access to such records by Vertex's independent accountant to the same extent required of Merck under this Agreement.

Upon the expiration of [***] following the end of any Calendar Year, the calculation of royalties payable with respect to such year shall be binding and conclusive upon Vertex, and Merck and its Related Parties shall be released from any liability or accountability with respect to royalties for such Calendar Year.

Vertex shall treat all financial information subject to review under this Section 5.19 or under any sublicense agreement in accordance with the confidentiality and non-use provisions of this Agreement, and shall cause its accounting firm to enter into an acceptable confidentiality agreement with Merck and/or its Related Parties obligating it to retain all such information in confidence pursuant to such confidentiality agreement.

5.20 ***Payment Exchange Rate.*** All payments to be made by Merck to Vertex under this Agreement shall be made in United States dollars and may be paid by check made to the order of Vertex or bank wire transfer in immediately available funds to such bank account in the United States designated in writing by Vertex from time to time. In the case of sales outside the United States, the rate of exchange to be used in computing the amount of currency equivalent in United States dollars due Vertex shall be made at the rate of exchange utilized by Merck in its worldwide accounting system, prevailing on the third to the last business day of the month prior to the month in which such sales are recorded by Merck.

5.21 ***Income Tax Withholding.*** If laws, rules or regulations require withholding of income taxes or other taxes imposed upon payments set forth in this Article 5, Merck shall make such withholding payments as required and subtract such withholding payments from the payments set forth in this Article 5. Merck shall submit appropriate proof of payment of the withholding taxes to Vertex within a reasonable period of time.

5.22 ***Interest Penalty.*** In case of any delay in payment by Merck to Vertex not occasioned by Force Majeure (as described in Section 9.3), interest at the monthly rate of [***], assessed from the thirty-first day after the due date of the payment, shall be due from Merck.

ARTICLE 6: REPRESENTATIONS AND WARRANTIES

6.1 ***Vertex Representation and Warranty.*** Vertex represents and warrants to Merck that as of the Effective Date:

6.1.1 to Vertex's knowledge, the Patent Rights and Vertex Know-How exist and are not invalid or unenforceable, in whole or in part;

6.1.2 it has the full corporate right, power and authority to enter into this Agreement, to perform the Research Program and to grant the licenses granted hereunder;

6.1.3 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. 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;

6.1.4 it has not previously assigned, transferred, conveyed or otherwise encumbered its right, title and interest in VX-680, the Existing Compounds, Patent Rights or Vertex Know-How;

6.1.5 to Vertex's knowledge, it is the sole and exclusive owner of VX-680, the Existing Compounds, the Patent Rights and Vertex Know-How, all of which are (and shall be, in the case of Vertex Information and Inventions) free and clear of any liens, charges and encumbrances, and no other person, corporate or other private entity, or governmental entity or subdivision thereof, has or shall have any claim of ownership whatsoever with respect to the VX-680, Existing Compounds, Patent Rights and Vertex Know-How;

6.1.6 to Vertex's knowledge, the exercise of the license granted to Merck under the Patent Rights and Vertex Know-How, including without limitation the development, manufacture, use, sale and import of Compounds, Product Candidates and Products do not interfere with or infringe any intellectual property rights owned or possessed by any Third Party;

6.1.7 there are no claims known to Vertex, and no judgments or settlements against or owed by Vertex or pending or threatened claims or litigation relating to the Patent Rights and Vertex Know-How;

6.1.8 to Vertex's knowledge, Schedules 1.19 and 1.63 together set forth all small molecule compounds Controlled by Vertex [***]; and

6.1.9 Vertex has disclosed to Merck all reasonably relevant information known to Vertex regarding the Patent Rights and Vertex Know-How licensed under this Agreement.

6.2 ***Merck Representation and Warranty.*** Merck represents and warrants to Vertex that as of the Effective Date:

6.2.1 it has the full corporate right, power and authority to enter into this Agreement, and perform its obligations hereunder; and

6.2.2 this Agreement has been duly executed and delivered by Merck and constitutes the valid and binding obligation of Merck, enforceable against Merck in accordance with its terms. The execution, delivery, and performance of this Agreement have been duly authorized by all necessary action on the part of Merck, its officers and directors.

ARTICLE 7: PATENT PROVISIONS

7.1 ***Filing, Prosecution and Maintenance of Patents.*** Vertex agrees to file, prosecute and maintain in the Territory, upon appropriate consultation with Merck, the Patent Rights licensed to Merck under this Agreement. Merck shall have the first right to file, prosecute and maintain in the Territory Collaboration Patent Rights. With respect to Vertex Information and Inventions, Vertex may elect not to file, prosecute and maintain patent applications directly thereto and if so, Merck shall have the right to file, prosecute and maintain such patent applications. In such event, Vertex shall execute such documents and perform such acts at Vertex's expense as may be reasonably necessary to effect an assignment of such Patent Rights to Merck in a timely manner to allow Merck to continue such preparation and prosecution or maintenance. In each case, the filing Party shall give the non-filing Party an opportunity to review the text of the application before filing, shall consult with the non-filing Party with respect thereto, and shall supply the non-filing Party with a copy of the application as filed, together with notice of its filing date and serial number. Vertex shall keep Merck advised of the status of the actual and prospective patent filings and upon the request of Merck, provide advance copies of any papers related to the filing, prosecution and maintenance of such patent filings. Vertex shall promptly give notice to Merck of the grant, lapse, revocation, surrender, invalidation or abandonment of any Patent Rights licensed to Merck for which Vertex is responsible for the filing, prosecution and maintenance. With respect to all filings hereunder, the filing Party shall be responsible for payment of all costs and expenses related to such filings.

7.2 ***Option to Prosecute and Maintain Patents.***

(a) ***Merck Option.*** Vertex shall give notice to Merck of any desire to cease prosecution and/or maintenance of Patent Rights on a country by country basis in the Territory and, in such case, shall permit Merck, at its sole discretion, to continue prosecution or maintenance of such Patent Rights at its own expense. If Merck elects to continue prosecution or maintenance or to file based on Vertex's election not to file pursuant to Section 7.1, Vertex shall execute such documents and perform such acts at Vertex's expense as may be reasonably necessary to effect an assignment of such Patent Rights to Merck in a timely manner to allow Merck to continue such prosecution or maintenance. Any patents or patent applications so assigned shall not be considered Patent Rights.

(b) ***Vertex Option.*** Merck shall give notice to Vertex of any desire to cease prosecution and/or maintenance of Collaboration Patent Rights on a country by country basis in the Territory and, in such case, shall permit Vertex, at its sole discretion, to continue prosecution or maintenance of such Collaboration Patent Rights at its own expense. If Vertex elects to continue prosecution or maintenance or to file based on Merck's election not to file pursuant to Section 7.1, Merck shall execute such documents and perform such acts at Merck's expense as may be reasonably necessary to effect an assignment of such Collaboration Patent Rights to

Vertext in a timely manner to allow Vertex to continue such prosecution or maintenance. Any patents or patent applications so assigned shall not be considered Collaboration Patent Rights.

7.3 ***Interference, Opposition, Reexamination and Reissue.***

7.3.1 Vertex shall, within ten (10) days of learning of such event, inform Merck of any request for, or filing or declaration of, any interference, opposition, or reexamination relating to Patent Rights. Merck and Vertex shall thereafter consult and cooperate fully to determine a course of action with respect to any such proceeding. Merck shall have the right to review and approve any submission to be made in connection with such proceeding.

7.3.2 Vertex shall not initiate any reexamination, interference or reissue proceeding relating to Patent Rights without the prior written consent of Merck, which consent shall not be unreasonably withheld.

7.3.3 In connection with any interference, opposition, reissue, or reexamination proceeding relating to Patent Rights and Collaboration Patent Rights, Merck and Vertex will cooperate fully and will provide each other with any information or assistance that either may reasonably request. Vertex shall keep Merck informed of developments in any such action or proceeding, including, to the extent permissible by law, consultation and approval of any settlement, the status of any settlement negotiations and the terms of any offer related thereto.

7.3.4 Vertex shall bear the expense of any interference, opposition, reexamination, or reissue proceeding relating to Patent Rights. The Parties shall share equally the expense of any interference, opposition, reexamination or re-issue proceeding relating to the Collaboration Patent Rights.

7.4 ***Enforcement and Defense***

7.4.1 Vertex shall give Merck notice of either (i) any infringement of Patent Rights, or (ii) any misappropriation or misuse of Vertex Know-How, that may come to Vertex's attention. Merck and Vertex shall thereafter consult and cooperate fully to determine a course of action, including but not limited to the commencement of legal action by either or both Merck and Vertex, to terminate any infringement of Patent Rights or any misappropriation or misuse of Vertex Know-How. However, Vertex, upon notice to Merck, shall have the first right to initiate and prosecute such legal action at its own expense and in the name of Vertex and Merck, or to control the defense of any declaratory judgment action relating to Patent Rights or Vertex Know-How. Vertex shall promptly inform Merck if it elects not to exercise such first right and Merck shall thereafter have the right to either initiate and prosecute such action or to control the defense of such declaratory judgment action in the name of Merck and, if necessary, Vertex. Each Party shall have the right to be represented by counsel of its own choice.

7.4.2 If Vertex elects not to initiate and prosecute an action as provided in Section 7.4.1, and Merck elects to do so, the costs of any agreed-upon course of action to terminate infringement of Patent Rights or misappropriation or misuse of Vertex Know-How, including without limitation the costs of any legal action commenced or the defense of any declaratory judgment, shall be shared equally by Vertex and Merck.

7.4.3 For any action to terminate any infringement of Patent Rights or any misappropriation or misuse of Vertex Know-How, in the event that Merck is unable to initiate or prosecute such action solely in its own name, Vertex will join such action voluntarily and will execute and cause its Affiliates to execute all documents necessary for Merck to initiate litigation to prosecute and maintain such action. In connection with any action, Merck and Vertex will cooperate fully and will provide each other with any information or assistance that either may reasonably request. Each Party shall keep the other informed of developments in any action or proceeding, including, to the extent permissible by law, the consultation and approval of any settlement negotiations and the terms of any offer related thereto.

7.4.4 Any recovery obtained by either or both Merck and Vertex in connection with or as a result of any action contemplated by this Section, whether by settlement or otherwise, shall be shared in order as follows:

(i) the Party which initiated and prosecuted the action shall recoup all of its costs and expenses incurred in connection with the action;

(ii) the other Party shall then, to the extent possible, recover its costs and expenses incurred in connection with the action; and

(iii) the amount of any recovery remaining shall then be allocated between the Parties on a pro rata basis taking into consideration the relative economic losses suffered by each Party.

7.4.5 Vertex shall inform Merck of any certification regarding any Patent Rights it has received pursuant to either 21 U.S.C. §§355(b)(2)(A)(iv) or (j)(2)(A)(vii)(IV) or its successor provisions or any similar provisions in a country in the Territory other than the United States and shall provide Merck with a copy of such certification within five (5) days of receipt. Vertex's and Merck's rights with respect to the initiation and prosecution of any legal action as a result of such certification or any recovery obtained as a result of such legal action shall be as defined in subsections 7.4.1 through 7.4.4; provided, however, the Vertex shall exercise its first right to initiate and prosecute any action and shall inform Merck of such decision within ten (10) days of receipt of the certification, after which time Merck shall have the right to initiate and prosecute such action.

7.4.6 ***Patent Term Restoration.*** The Parties hereto shall cooperate with each other in obtaining patent term restoration or supplemental protection certificates or their equivalents in any country in the Territory where applicable to Patent Rights. In the event that elections with respect to obtaining such patent term restoration are to be made, Merck shall have the right to make the election and Vertex agrees to abide by such election.

ARTICLE 8: TERM AND TERMINATION

8.1 ***Term and Expiration.*** This Agreement shall be effective as of the Effective Date and unless terminated earlier pursuant to Sections 8.2 or 8.3, this Agreement shall continue in effect until expiration of all royalty obligations under Article 5. Upon expiration of this Agreement, Merck's licenses pursuant to Section 3.1 and 3.2 shall become fully paid-up, perpetual licenses.

8.2 ***Termination by Merck.*** Notwithstanding anything contained herein to the contrary, after June 30, 2005, Merck shall have the right to terminate this Agreement at any time in its sole discretion by giving ninety (90) days' advance written notice to Vertex; provided, however (a) during the second (2nd) year of the Research Program Term, Merck shall provide [***] advance written notice to Vertex; and (b) if a Product has received a Marketing Authorization in a Major Market and such termination is for a reason other than a Valid Safety Issue, [***] advance written notice shall be

required. Not later than thirty (30) days after the date of such termination, each Party shall return or cause to be returned to the other Party all Information in tangible form received from the other Party and all copies thereof, except that each Party may retain one copy in its confidential files for records purposes. In the event of termination under this Section 8.2: (i) Merck shall pay Vertex all amounts then due and owing as of the termination date; and (ii) except for the surviving provisions set forth in Section 8.6, the rights and obligations of the Parties under this Agreement shall terminate as of the date of such termination. For the purposes of this Agreement, a "Valid Safety Issue" shall mean [***].

8.3 ***Cause for Termination.*** This Agreement may be terminated at any time during the term of this Agreement:

8.3.1. upon written notice by either Party if the other Party is in breach of its material obligations hereunder by causes and reasons within its control and has not cured such breach within ninety (90) days after notice requesting cure of the breach; provided, however, in the event of a good faith dispute with respect to the existence of a material breach, the ninety (90) day cure period shall be tolled until such time as the dispute is resolved pursuant to Section 9.8;

8.3.2. by either Party upon the filing or institution of bankruptcy, reorganization, liquidation or receivership proceedings, or upon an assignment of a substantial portion of the assets for the benefit of creditors by the other Party; provided, however, in the case of any involuntary bankruptcy proceeding such right to terminate shall only become effective if the Party consents to the involuntary bankruptcy or such proceeding is not dismissed within ninety (90) days after the filing thereof.

8.4 ***Effect of Termination for Cause on License***

8.4.1 If Merck terminates this Agreement under Section 8.3.1, then (i) Merck's licenses pursuant to Sections 3.1 and 3.2 shall become fully paid-up (except that the financial provisions of Sections 5.3 through 5.20 of this Agreement shall continue), exclusive, perpetual licenses; (ii) Merck shall have the right to offset against any monies owed to Vertex (pursuant to Sections 5.3 through 5.20 of this Agreement) all of its costs, losses and expenses incurred as a result of Vertex's breach as set forth in Section 8.3.1 of this Agreement; and (iii) Vertex shall, within thirty (30) days after such termination return or cause to be returned to Merck all Merck Information in tangible form, and all substances or compositions delivered or provided by Merck, as well as any other material provided by Merck in any medium. If Vertex terminates this Agreement under Section 8.3, Merck's licenses pursuant to Sections 3.1 and 3.2 shall terminate as of such termination date and Merck shall, within thirty (30) days after such termination, return or cause to be returned to Vertex all Vertex Information in tangible form, and all substances or compositions delivered or provided by Vertex, as well as any other material provided by Vertex in any medium.

8.4.2 If this Agreement is terminated by Merck pursuant to subsection 8.3.2 due to the rejection of this Agreement by or on behalf of Vertex under Section 365 of the United States Bankruptcy Code (the "Code"), all licenses and rights to licenses granted under or pursuant to this Agreement by Vertex to Merck are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the Code, licenses of rights to "intellectual property" as defined under Section 101(35A) of the Code. The Parties agree that Merck, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Code, and that upon commencement of a bankruptcy proceeding by or against Vertex under the Code, Merck shall be entitled to a complete duplicate of or complete access to (as Merck deems appropriate), any such intellectual property and all embodiments of such intellectual property. Such intellectual property and all embodiments thereof shall be promptly delivered to Merck (i) upon any such commencement of a bankruptcy proceeding upon

written request therefore by Merck, unless Vertex elects to continue to perform all of its obligations under this Agreement or (ii) if not delivered under (i) above, upon the rejection of this Agreement by or on behalf of Vertex upon written request therefore by Merck.

8.4.3 The foregoing provisions of subsection 8.4.2 are without prejudice to any rights Merck may have arising under the Code or other applicable law.

8.5 ***Rights Upon Expiration of Research Program Term and Washout Period***

Upon expiration or termination of the Research Program Term and Washout Period:

(a) Subject to the provisions of Section 8.5(c) of this Agreement, Merck's licenses pursuant to Sections 3.1 and 3.2 shall continue as to any Products, Product Candidates and Development Candidates then existing; *provided*, *however*, that with respect to any Development Candidate, such licenses shall terminate if Merck does not make its Development Election with respect to such Development Candidate within the [***] period set forth in Section 3.6;

(b) Subject to the provisions of Section 8.5(c) of this Agreement, Merck's licenses pursuant to Sections 3.1 and 3.2 shall terminate as to all Compounds and Deferred Candidates, excluding, however, any such Compounds and Deferred Candidates that have become Products, Product Candidates or Development Candidates covered by Section 8.5(a) immediately above; and

(c) Notwithstanding the provision of Sections 8.5(b), Merck shall have the right to designate [***] additional Compounds or Deferred Candidates in which Merck may have a continued interest in developing ("ROFO Compounds"). For a period of [***] from the expiration of the Washout Period, Vertex shall not (i) enter into discussions or negotiations with any Third Party regarding any business arrangement for the development, marketing or sale of any ROFO Compound; or (ii) commence or continue its own internal development, marketing or sale program with regard to any ROFO Compound, unless Vertex first offers in good faith and in writing any such ROFO Compound to Merck for development and commercialization as a Product Candidate pursuant to the terms and conditions of this Agreement. Merck must accept in writing within [***] of the delivery of such offer in order to accept such offer. If Merck rejects such offer in writing, or fails to accept within such period, Vertex may enter into discussions with Third Parties regarding such a business arrangement or conduct its own internal development, marketing or sale program with respect to such ROFO Compound.

8.6 ***Effect of Expiration or Termination; Survival*** Expiration or termination of this Agreement shall not relieve the Parties of any obligation accruing prior to such expiration or termination. Any expiration or termination of this Agreement shall be without prejudice to the rights of either Party against the other accrued or accruing under this Agreement prior to expiration or termination, including without limitation the obligation to pay royalties for Product(s) sold prior to such expiration or termination. The provisions of Section 4.1 shall survive the expiration or termination of this Agreement and shall continue in effect for [***]. In addition, the provisions of Article 1, Sections 2.8, 4.3, 4.4 and 5.19, shall indefinitely survive any expiration or termination of this Agreement.

8.7 ***Effect of Vertex Change of Control*** If (a) a Change of Control of Vertex occurs and (b) the Change of Control party is a pharmaceutical or biotechnology company or other health care company, or group of health care companies acting in concert, with (i) a market capitalization of more than [***], and/or (ii) total

annual sales of pharmaceutical products (including sales by all affiliates of such company or companies) prior to such acquisition in excess of [***], then:

(a) the financial provisions of Article 5 shall continue and be payable to the Change of Control party; and

(b) Merck may, at its election effect any or all of the following changes to the terms of this Agreement:

(i) [***]

(ii) all co-promotion rights of Vertex as set forth in Section 3.11 [***] Indication as the Product

(iii) Merck's obligation to provide royalty reports pursuant to Section 5.18 shall be limited to reporting Merck's total worldwide royalty obligations on a regional basis for the following three regions (a) the United States; (b) the European Union; and (c) the rest of the world;

(iv) to the extent that provisions of the Agreement require Merck to provide Merck Information and Inventions, Merck Know-How, materials and Information to Vertex, such provisions shall be automatically amended to no longer impose such an obligation on Merck; *provided*, however, that the audit rights under Article 5 remain in place and the Vertex auditor shall have access to all information required to be reported under Section 5.19 absent this Change of Control provision;

(v) Vertex shall adopt procedures to be agreed upon in writing by Merck to prevent the disclosure of Merck Information and Inventions, Merck Know-How, Merck Information and materials (collectively "Sensitive Information") beyond those Vertex personnel with access to and knowledge of Sensitive Information prior to the Change of Control and Vertex shall adopt procedures approved in writing by Merck to control the dissemination of Sensitive Information that Merck may disclose after the Change of Control. The purposes of such procedures shall be to strictly limit such disclosures to only those personnel having a need to know Sensitive Information in order for Vertex to perform its obligations;

(vi) Merck's rights as set forth in this Agreement continue, including, but not limited to, its licenses pursuant to Sections 3.1 and 3.2 (subject to Section 8.5); and

(vii) If there is a Change in Control during the Research Program Term, at any time within the first 90 days after a Change in Control, Merck shall be entitled, by written notice to Vertex, to elect to review the status of the Research Program, including but not limited to the scientific details of all Compounds in development that have not at that time met the Development Candidate Criteria or been presented to the JRC, solely for the purpose of allowing Merck to make an informed decision with regard to its election right under Section 8.7(b)(i) of this Agreement.

ARTICLE 9: MISCELLANEOUS

9.1 *Indemnification*

(a) Except to the extent due to the negligence or willful misconduct of Merck, Vertex shall indemnify, defend and hold Merck and its Affiliates, and their respective directors, officers, employees and agents, harmless from and against any claims of damages (except to the extent arising from any claim of intellectual property infringement), bodily injury, death, or property damage made by a Third Party (a "Third Party Claim") to the extent arising from: (i) the

negligence or willful misconduct of Vertex under this Agreement; (ii) the material breach by Vertex of any warranty, representation or obligation of Vertex under this Agreement; or (iii) the development, synthesis, testing, use, storage or handling by Vertex or its representatives or agents under this Agreement of any Compound, Development Candidate, Deferred Candidate, Follow-on Compound, Product Candidate or Product.

(b) Except to the extent due to the negligence or willful misconduct of Vertex, Merck shall indemnify, defend and hold Vertex and its Affiliates, and their respective directors, officers, employees and agents, harmless from and against any Third Party Claim resulting from (i) the negligence or willful misconduct of Merck under this Agreement; (ii) the material breach by Merck of any obligation of Merck under this Agreement; or (iii) the development, testing, synthesis, use, storage, handling, manufacture or commercialization by Merck or its representatives or agents under this Agreement of any Compound, Merck AK Compound, Development Candidate, Deferred Candidate, Follow-on Compound, Product Candidate or Product.

(c) If a Party (the "Indemnitee") intends to claim indemnification under this Section, it shall promptly notify the other Party (the "Indemnitor") in writing of any Third Party Claim for which the Indemnitee intends to claim such indemnification. The failure of the Indemnitee to deliver written notice to the Indemnitor within a reasonable time after the commencement of any such action shall relieve the Indemnitor of any obligation to the Indemnitee under this Section with respect to any such action. The Indemnitee shall permit the Imdemnitor to control the litigation and/or settlement of such Third Party Claim, and cooperate fully with Indemnitor in all matters related thereto, provided that unless agreed by Indemnitee (i) counsel appointed by Imdemnitor to defend Indemnitee shall not take any position which if sustained would cause Indemnitee not to be indemnified by Indemnitor and (ii) no settlement will involve any terms binding on Indemnitee except payment of money to by paid by Indemnitor.

(d) Neither Party shall be liable to the other for indirect, consequential, special or punitive damages under this Agreement.

9.2 Merck agrees that during the Standstill Term (defined below), neither Merck nor any of its Affiliates will, without the prior written consent of Vertex (i) acquire, or participate as part of a group which in the aggregate acquires, securities representing more than [***] of the voting power of the outstanding voting securities of Vertex, or (ii) make, or in any way participate in, directly or indirectly, any "solicitation" of "proxies" (as such terms are used in the rules of the United States Securities and Exchange Commission).

9.2.1 "Standstill Term" shall mean the [***].

9.2.2 The foregoing provisions of this Section 9.2 shall no longer apply (i) if Vertex announces publicly that (a) it is seeking, or considering seeking, purchasers for Vertex or (b) is otherwise exploring, or considering exploring, strategic options in this regard; (ii) upon the commencement by a Third Party of a tender or exchange offer for more than [***] of voting power of the outstanding voting securities of Vertex; (iii) if a Third Party acquires beneficial ownership of [***] or more of the outstanding common stock of Vertex; (iv) if Vertex publicly announces a transaction, or an intention to effect any transaction, which would result in (a) the sale by Vertex or one or more of its subsidiaries or assets representing [***]or more of the consolidated earning power or assets of Vertex; (b) the common shareholders of Vertex immediately prior to such transaction owning less than [***]of the outstanding common stock of the acquiring entity or, in the case of a merger transaction, the surviving corporation (or, if the surviving corporation is a subsidiary of a parent company, the parent company); or (c) a

Third Party acquiring beneficial ownership [***] or more of the outstanding common stock of Vertex.

9.3 ***Force Majeure.*** Neither Party shall be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement when such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including, but not limited to, embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God, or acts, omissions or delays in acting by any governmental authority or the other Party. The affected Party shall notify the other Party of such force majeure circumstances as soon as reasonably practical, and shall promptly undertake all reasonable efforts necessary to cure such force majeure circumstances.

9.4 ***Assignment.*** Except as provided in this Section 9.4, this Agreement may not be assigned or otherwise transferred, nor may any right or obligation hereunder be assigned or transferred, by either Party without the consent of the other Party. Merck may, without Vertex's consent, assign this Agreement and its rights and obligations hereunder in whole or in part to a Merck Affiliate, if Merck guarantees the full performance of its Affiliate's obligations hereunder. Any permitted assignee shall assume all obligations of its assignor under this Agreement and shall be subject to all of the provisions of this Agreement. Any attempted assignment not in accordance with this Section shall be void. Notwithstanding the above, Vertex may, without Merck's consent, assign this Agreement and its rights and obligations hereunder in the event of a Change of Control of Vertex to the Change of Control party, subject to the provisions of this Agreement, including Section 8.7.

9.5 ***Severability.*** If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties shall in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

9.6 ***Notices.*** All notices which are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

if to Vertex, to:

Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139
Attn: Office of Business Development
Facsimile No: (617) 444-6632

and:

Attn: General Counsel
Facsimile No.: (617) 444-7117

if to Merck, to:

Merck & Co., Inc.
One Merck Drive
P.O. Box 100 (WS 3A-65)
Whitehouse Station, NJ 08889-0100

Attn: Office of Secretary
Facsimile No.: (908) 735-1246

And

Merck & Co., Inc.
One Merck Drive (WS 2A-30)
P.O. Box 100
Whitehouse Station, NJ 08889-0100

Attn: Chief Licensing Officer
Facsimile: (908)735-1214

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a business day; (b) on the business day after dispatch if sent by nationally-recognized overnight courier; and/or (c) on the fifth business day following the date of mailing if sent by mail.

9.7 ***Applicable Law.*** This Agreement shall be governed by and construed in accordance with the laws of the State of New York and the patent laws of the United States without reference to any rules of conflict of laws or renvoi. The United Nations Convention on the Sale of Goods shall not apply.

9.8 ***Dispute Resolution***

9.8.1 The Parties shall negotiate in good faith and use reasonable efforts to settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof. If the Parties do not fully settle, and a Party wishes to pursue the matter, each such dispute, controversy or claim that is not an "Excluded Claim" shall be finally resolved by binding arbitration in accordance with the Commercial Arbitration Rules and Supplementary Procedures for Large Complex Disputes of the American Arbitration Association ("AAA"), and judgment on the arbitration award may be entered in any court having jurisdiction thereof.

9.8.2 The arbitration shall be conducted by a panel of three persons experienced in the pharmaceutical business. Within 30 days after initiation of arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within 30 days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the AAA. The place of arbitration shall be New York, New York, and all proceedings and communications shall be in English.

9.8.3 Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damages. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' and any administrative fees of arbitration.

9.8.4 Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable New York statute of limitations.

9.8.5 The Parties agree that, in the event of a dispute over the nature or quality of performance under this Agreement, neither Party may terminate this Agreement until final resolution of the dispute through arbitration or other judicial determination. The Parties further agree that

any payments made pursuant to this Agreement pending resolution of the dispute shall be refunded if an arbitrator or court determines that such payments are not due.

9.8.6 As used in this Section, the term "Excluded Claim" shall mean a dispute, controversy or claim that concerns (a) the validity or infringement of a patent, trademark or copyright; or (b) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

9.9 ***Entire Agreement; Amendments.*** This Agreement, together with the Schedules hereto, contains the entire understanding of the Parties with respect to the subject matter hereof and supercedes and cancels all previous express or implied agreements and understandings, negotiations, writings and commitments, either oral or written, in respect to the subject matter hereof. The Schedules to this Agreement are incorporated herein by reference and shall be deemed a part of this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties.

9.10 ***Headings.*** The captions to the several Articles, Sections and subsections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the several Articles and Sections hereof.

9.11 ***Independent Contractors.*** It is expressly agreed that Vertex and Merck shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither Vertex nor Merck shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other Party, without the prior written consent of the other Party.

9.12 ***Waiver.*** The waiver by either Party hereto of any right hereunder, or the failure of the other Party to perform, or a breach by the other Party, shall not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise.

9.13 ***Cumulative Remedies.*** No remedy referred to in this Agreement is intended to be exclusive, but each shall be cumulative and in addition to any other remedy referred to in this Agreement or otherwise available under law.

9.14 ***Waiver of Rule of Construction.*** Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafting Party shall not apply.

9.15 ***Certain Conventions.*** Any reference in this Agreement to an Article, Section, subsection, paragraph, clause, Schedule or Exhibit shall be deemed to be a reference to an Article, Section, subsection, paragraph, clause, Schedule or Exhibit, of or to, as the case may be, this Agreement, unless otherwise indicated. Unless the context of this Agreement otherwise requires, (a) words of any gender include each other gender, (b) words such as "herein", "hereof", and "hereunder" refer to this Agreement as a whole and not merely to the particular provision in which such words appear, (c) words using the singular shall include the plural, and vice versa, and (d) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "but not limited to", "without limitation", "inter alia" or words of similar import.

9.16 ***Counterparts.*** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

MERCK & CO., INC.

By: /s/ PETER S. KIM

Name: Peter Kim
Title: President, MRL

June 21, 2004

Date

VERTEX PHARMACEUTICALS INCORPORATED

By: /s/ VICKI L. SATO

Name: Vicki L. Sato
Title: President

June 21, 2004

Date

SCHEDULES

SCHEDULE 1.15	Development Criteria
SCHEDULE 1.17	Development Information
SCHEDULE 1.19	Existing Compounds
SCHEDULE 1.43	Patent Rights
SCHEDULE 1.63	Description of VX-680
SCHEDULE 2.1	Research Program
SCHEDULE 3.11	Co-Promotion Rights
SCHEDULE 5.17	Certain Third Party Patent Applications

Schedule 1.15

Development Criteria

[***]

Schedule 1.17

Development Information

[***]

Schedule 1.19

Existing Compounds

[***]

Schedule 1.43

Patent Rights

[***]

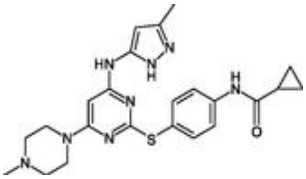
VP1/00 - -130- 3 US UNITED STATES 10/0 25,164 12/19/2001 US 6,664,247 ISSUED 12/16/03

[***]

Schedule 1.63

Description of VX-680

Compound name:	Cyclopropane carboxylic acid {4-[4-(4-methyl- piperazin-1-yl)-6-(5-methyl-2H- pyrazol-3-ylamino)- pyrimidin-2-ylsulphanyl]-phenyl}-amide
Structure:	VX-680 is a kinase inhibitor based on a pyrimidine scaffold, appended with a 4-aminopyrazole, a 2-thiophenyl and a 6-methyl-piperazine unit.



Laboratory Code:	VX-680
[***]	
Empirical formula:	$C_{23}H_{28}N_8OS$
Molecular Weight:	464.6
Physical Appearance:	Colorless solid
[***]	
[***]	
[***]	
[***]	

Schedule 2.1

Research Program

[***]

SCHEDULE 3.11

CO-PROMOTION

[***]

SCHEDULE 5.17

Certain Third Party Patent Applications

[***]

QuickLinks

Exhibit 10.2

EXECUTED DOCUMENT

PURCHASE AGREEMENT

Dated as of May 30, 2008

by and between

VERTEX PHARMACEUTICALS INCORPORATED

and

FOSAMPRENAVIR ROYALTY, L.P.

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EXHIBITS AND SCHEDULES

EXHIBITS

SCHEDULES

PURCHASE AGREEMENT

PURCHASE AGREEMENT (this "*Agreement*") is made and entered into as of May 30, 2008 by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation ("*Vertex*"), and Fosamprenavir Royalty, L.P., a Delaware limited partnership (the "*Purchaser*").

WHEREAS, Vertex has the right to receive royalties based on Net Sales of the Products in the Territory under the License Agreement; and

WHEREAS, Vertex wishes to sell, assign, convey and transfer to the Purchaser, and the Purchaser wishes to purchase, acquire and accept from Vertex, the Purchased Interest, upon and subject to the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual covenants, agreements representations and warranties set forth herein, the parties hereto agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. ***Definitions*.**

The following terms, as used herein, shall have the following meanings:

"*Adverse Effect*" shall have the meaning set forth in Section 3.07.

"*Affiliate*" shall mean any Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with another Person. For purposes of this definition, "*control*" shall mean the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through ownership of voting securities, by contract or otherwise.

"*Agreement*" shall have the meaning set forth in the preamble.

"*Bankruptcy Event*" shall mean the occurrence of any of the following:

(i) Vertex or any of its Subsidiaries shall commence any case, proceeding or other action (a) under any existing or future law of any jurisdiction, domestic or foreign, relating to bankruptcy, insolvency, reorganization, relief of debtors or the like, seeking to have an order for relief entered with respect to it, or seeking to adjudicate it bankrupt or insolvent, or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or its debts, or (b) seeking appointment of a receiver, trustee, custodian or other similar official for it or for all or any portion of its assets, or Vertex or any of its Subsidiaries shall make a general assignment for the benefit of its creditors; or

(ii) there shall be commenced against Vertex or any of its Subsidiaries any case, proceeding or other action of a nature referred to in clause (i) above which remains undismissed, undischarged or unbonded for a period of ninety (90) calendar days; or

(iii) there shall be commenced against Vertex or any of its Subsidiaries any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against (a) all or any substantial portion of its assets and/or (b) the Royalties, which results in the entry of an order for any such relief which shall not have been vacated, discharged, stayed, satisfied or bonded pending appeal within forty-five (45) calendar days from the entry thereof; or

(iv) Vertex or any of its Subsidiaries shall take any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii) or (iii) above.

"*Bill of Sale*" shall mean the Bill of Sale pursuant to which Vertex shall sell, assign, transfer and convey to the Purchaser all of its rights, title and interests in and to the Purchased Interest purchased, acquired and accepted hereunder, which Bill of Sale shall be substantially in the form of ***Exhibit A***.

"*Business Day*" shall mean any day other than a Saturday, a Sunday, any day which is a legal holiday under the laws of the State of New York or The Commonwealth of Massachusetts, or any day

on which banking institutions located in the State of New York or The Commonwealth of Massachusetts are authorized or required by law or other governmental action to close.

"*Closing*" shall have the meaning set forth in Section 6.01.

"*Closing Date*" shall have the meaning set forth in Section 6.01.

"*Confidential Information*" shall mean, as it relates to Vertex and its Affiliates, the Products and the Patent Rights, all information (whether written or oral, or in electronic or other form) furnished after the date of this Agreement concerning, or relating in any way, directly or indirectly, to the Purchased Interest or the Royalties, including, without limitation, (i) any license, sublicense, assignment, product development, royalty, sale, supply or other agreements (including, without limitation, the License Agreement and the Pfizer Agreement) involving or relating in any way, directly or indirectly, to the Purchased Interest, the Royalties or the intellectual property, compounds or Products giving rise to the Purchased Interest, and including all terms and conditions thereof and the identities of the parties thereto, (ii) any reports, data, materials or other documents of any kind relating in any way, directly or indirectly, to Vertex, the Purchased Interest, the Royalties or the intellectual property, compounds or products giving rise to the Purchased Interest, and including reports, data, materials or other documents of any kind delivered pursuant to or under any of the agreements referred to in clause (i), and (iii) any inventions, devices, improvements, formulations, discoveries, compositions, ingredients, patents, patent applications, know-how, processes, trial results, research, developments or any other intellectual property, trade secrets or information involving or relating in any way, directly or indirectly, to the Purchased Interest or the compounds or products giving rise to the Purchased Interest. Notwithstanding the foregoing definition, Confidential Information shall not include information that is (i) already in the public domain at the time the information is disclosed, (ii) lawfully obtainable from other sources, (iii) required to be disclosed in any document to be filed with any Governmental Authority or (iv) required to be disclosed by court or administrative order or under securities laws, rules and regulations applicable to Vertex or the Purchaser or their respective Affiliates, as the case may be, or pursuant to the rules and regulations of any stock exchange or stock market on which securities of Vertex or the Purchaser or their respective Affiliates may be listed for trading.

"*Defaulting Party*" shall have the meaning set forth in Section 5.06(d).

"*Discrepancy*" shall have the meaning set forth in Section 2.02(b).

"*Dispute*" or "*Disputes*" shall have the meaning set forth in Section 3.10(e).

"*EMEA*" shall mean the European Medicines Agency, or any successor agency.

"*Excluded Liabilities and Obligations*" shall have the meaning set forth in Section 2.04.

"*FDA*" shall mean the United States Food and Drug Administration and any successor agency thereto.

"*Field*" shall have the meaning set forth in the License Agreement.

"*Governmental Authority*" shall mean any government, court, regulatory or administrative agency or commission, or other governmental authority, agency or instrumentality, whether foreign, federal, state or local (domestic or foreign), including each Patent Office, the FDA, the EMEA and any other government authority in any country.

"*GSK*" shall mean SmithKline Beecham Corporation (an Affiliate of GlaxoSmithKline plc), a North Carolina corporation, including its successors, assigns and Affiliates.

"*GSK Direction*" shall have the meaning set forth in Section 6.02(h).

"*GSK/Pfizer Instruction*" shall have the meaning set forth in Section 6.02(h).

"*Indenture*" shall mean the Indenture, dated as of May 30, 2008, by and between the Purchaser and U.S. Bank National Association, as initial Trustee of the Notes described therein.

"*Information Memorandum*" shall mean the Confidential Information Memorandum of Vertex dated May 29, 2008.

"*Knowledge*" shall mean, with respect to Vertex, the knowledge of any of the following officers or employees of Vertex: the Chief Executive Officer; the Chief Medical Officer; the General Counsel; the Chief Scientific Officer; the Chief Financial Officer; the Chief Commercial Officer; the Chief Patent Counsel; the Vice President and Corporate Controller; the Vice President, Business and Corporate; the Deputy General Counsel; and the Assistant Chief Patent Counsel. An individual will be deemed to have "knowledge" of a particular fact or other matter if (i) such individual has or at any time had actual knowledge of such fact or other matter or (ii) a prudent individual could be expected to discover or otherwise become aware of such fact or other matter in the course of conducting a reasonably diligent review concerning the existence thereof with each employee of Vertex or any of its Subsidiaries who, at the date of this Agreement, reports directly to such individual and who (x) has responsibilities or (y) would reasonably be expected to have actual knowledge of circumstances or other information, in each case, that would reasonably be expected to be pertinent to such fact or other matter. Notwithstanding anything in this definition to the contrary, Vertex will be deemed to have knowledge of any fact or matter of which it has received written notice (whether in hard copy, digital or electronic format).

"*License Agreement*" shall mean the HIV Protease Program License Agreement between Vertex and Burroughs Wellcome Co. (now GSK) effective December 16, 1993, as amended by a written amendment executed by Vertex and GSK effective as of October 21, 2003, together with (i) the Side Agreement and (ii) except as otherwise expressly set forth herein, any new, substitute or amended agreement relating to the Licensed Products, the Patent Rights or other intellectual property rights of Vertex relating to the Licensed Products; *provided*, *however*, that solely for purposes of definitions in this Agreement which are incorporated by reference from the License Agreement, references to the License Agreement shall refer to the License Agreement as in effect on the date hereof. The term "License Agreement" shall include all rights that arise therefrom and relate thereto.

"*Licensed Product*" shall have the meaning set forth in the License Agreement.

"*Lien*" shall mean any lien, hypothecation, charge, instrument, license, preference, priority, security agreement, security interest, mortgage, option, privilege, pledge, liability, covenant or order, or any encumbrance, right or claim of any other Person of any kind whatsoever whether choate or inchoate, filed or unfiled, noticed or unnoticed, recorded or unrecorded, contingent or non-contingent, material or non-material, known or unknown; *provided*, *however*, that this term shall not include (i) the licenses granted by Vertex to GSK and by GSK to Vertex pursuant to the License Agreement, as in existence on the date hereof, and (ii) the license granted by Monsanto Company and G.D. Searle & Co. (collectively, now Pfizer) to each of Vertex and GSK pursuant to the Pfizer Agreement, as in effect on the date hereof.

"*Losses*" shall mean, collectively, any and all claims, damages, losses, judgments, liabilities, costs and expenses (including reasonable expenses of investigation and reasonable attorneys' fees and expenses), excluding punitive damages, except to the extent punitive damages are paid to a third party.

"*Material Adverse Effect*" shall mean a material adverse effect on (i) the legality, validity or enforceability of any of the Transaction Documents, the License Agreement, the Pfizer Agreement or the back-up security interest granted pursuant to Section 2.01(d); (ii) the right or ability of Vertex (or any permitted assignee) to perform any of its obligations under any of the Transaction Documents, the License Agreement, the Pfizer Agreement or the Side Agreement or to consummate the transactions contemplated hereunder or thereunder; (iii) the rights or remedies of the Purchaser under any of the

Transaction Documents; (iv) the right or ability of the Purchaser to receive any Royalties or the timing, amount or duration of such Royalties; (v) the Purchased Interest; or (vi) the Patent Rights.

"*Net Sales*" shall have the meaning set forth in the License Agreement.

"*New Arrangement*" shall have the meaning set forth in Section 5.07(a).

"*Patent Office*" shall mean the applicable patent office, including the United States Patent and Trademark Office and any comparable foreign patent office, for any Patent Rights.

"*Patent Rights*" shall mean the patents and patent applications licensed by Vertex to GSK under the License Agreement that generically or specifically claim and cover a Product or that are otherwise necessary or useful in the manufacture, use, sale or importation of a Product.

"*Permitted Amendment*" shall mean any amendment or amendments to the License Agreement which only (i) deletes all or a part of Section 13.16 therefrom, and/or (ii) excludes from the coverage of the License Agreement and the license rights under the granting clause thereof (a) products that do not constitute Products, and (b) any intellectual property that is neither necessary nor useful in connection with the manufacture, marketing, use, sale or importation of a Product.

"*Permitted Set-off* " shall mean any Set-off expressly permitted under Section 5.3.5 of the License Agreement or paragraph five of the Side Agreement.

"*Person*" shall mean an individual, corporation, partnership, limited liability company, association, trust or other entity or organization, but not including a Governmental Authority.

"*Pfizer*" shall mean Pfizer, Inc., a Delaware corporation, and its successors and assigns.

"*Pfizer Account*" shall have the meaning set forth in Section 5.05(h).

"*Pfizer Agreement*" shall mean the License Agreement among Vertex, Glaxo Wellcome, Inc. (now GSK), Monsanto Company and G.D. Searle & Co. (collectively, now Pfizer) dated as of June 28, 1996, as in effect on the date of this Agreement.

"*Pfizer Party*" or "*Pfizer Parties*" shall mean Monsanto Company and G.D. Searle & Co. (collectively, now Pfizer), and their respective Affiliates.

"*Products*" shall mean amprenavir and fosamprenavir.

"*Purchased Interest*" shall mean, collectively, (i) an undivided 100% interest in the right to receive all of the Royalties and (ii) to the extent transferable or assignable by Vertex, without the consent of GSK, pursuant to the terms of the License Agreement, as in existence on the date hereof, (A) the right to sue third parties for actual or threatened infringement of the Patent Rights, (B) the right to transfer or assign entitlement to the Royalties to third parties and (C) the right to disapprove of an assignment of the License Agreement by GSK.

"*Purchase Price*" shall have the meaning set forth in Section 2.03.

"*Purchaser*" shall have the meaning set forth in the preamble.

"*Purchaser Account*" shall have the meaning set forth in Section 5.05(c).

"*Purchaser Indemnified Party*" shall have the meaning set forth in Section 8.05(a).

"*Regulatory Agency*" shall mean a Governmental Authority with responsibility for the approval of the marketing and sale of pharmaceuticals in any country or other regulation of pharmaceuticals.

"*Regulatory Approvals*" shall mean, collectively, all regulatory approvals, registrations, certificates, authorizations, permits and supplements thereto, as well as associated materials (including the product dossier) pursuant to which the Products may be marketed, sold and distributed in a jurisdiction, issued by the appropriate Regulatory Agency.

"*Royalty*" or "*Royalties*" shall mean (i) all amounts due or paid to Vertex or any of its Affiliates as a result of the sale of any and all Products in the Territory, and attributable to the period commencing on the Royalties Commencement Date (after payment of all amounts owing to Pfizer pursuant to the Pfizer Agreement in accordance with the GSK/Pfizer Instruction), including, without limitation, all amounts due or paid to Vertex or any of its Affiliates in lieu thereof and all payments due or paid to Vertex or any of its Affiliates under Section 5.3 (whether based upon sales of the Products in the Territory or otherwise), Section 5.5 and Section 5.6 of the License Agreement, in any case, with respect to the period commencing on the Royalties Commencement Date; (ii) all indemnity payments, recoveries, damages or award or settlement amounts paid to Vertex or any of its Affiliates by any third party and arising out of or relating to the Patent Rights or the Vertex Technical Information in the Field or as a result of a breach by any Person of the License Agreement, the Pfizer Agreement or the Side Letter with respect thereto, including pursuant to Section 5.06(c), (d) or (e); (iii) all amounts paid or payable to Vertex or any of its Affiliates by one or more third party licensees or sublicensees under any New Arrangement; (iv) all other amounts paid by GSK, any Pfizer Party, any Sublicensee or any other Person arising out of or related to or resulting from the Patent Rights; (v) all accounts (as defined under the New York Uniform Commercial Code) evidencing the rights to the payments and amounts described herein; and (vi) all proceeds (as defined under the New York Uniform Commercial Code) of any of the foregoing. Notwithstanding the foregoing, "Royalty" or "Royalties" shall not include (i) expense reimbursements under Section 8.2 of the License Agreement; (ii) product liability indemnity payments made under Section 12.2(i) of the License Agreement or (iii) any Permitted Set-off, solely to the extent that such Permitted Set-off arises out of or relates to any events occurring or actions taken after the Royalties Commencement Date.

"*Royalties Commencement Date*" shall mean April 1, 2008.

"*Section 5.4 Report*" shall have the meaning set forth in Section 5.03.

"*Set-off* " shall mean any set-off, rescission, counterclaim, reduction, deduction or defense.

"*Side Agreement*" shall mean the letter agreement, entitled "Re: Settlement of G.D. Searle & Co. Matter, and Revisions to the License Agreement (as hereinafter defined)", between Vertex and GSK, dated June 28, 1996.

"*Sublicensee*" shall mean any sublicensee of GSK under the License Agreement.

"*Subsidiary*" or "*Subsidiaries*" shall mean with respect to any Person (i) any corporation of which the outstanding capital stock having at least a majority of votes entitled to be cast in the election of directors (or, if there are no such voting interests, 50% or more of the equity interests) under ordinary circumstances shall at the time be owned, directly or indirectly, by such Person or by another subsidiary of such Person or (ii) any other Person of which at least a majority voting interest (or, if there are no such voting interests, 50% or more of the equity interests) under ordinary circumstances is at the time owned, directly or indirectly, by such Person or by another subsidiary of such Person.

"*Termination Notice*" shall have the meaning set forth in Section 5.07(a).

"*Territory*" shall have the meaning set forth in the License Agreement.

"*Transaction Documents*" shall mean, collectively, this Agreement, the Bill of Sale, the GSK Direction and the GSK/Pfizer Instruction.

"*UCC*" shall mean the Uniform Commercial Code as in effect from time to time in The Commonwealth of Massachusetts; *provided, however*, that, if, with respect to any financing statement or by reason of any provisions of law, the perfection or the effect of perfection or non-perfection of the back-up security interest granted pursuant to Section 2.01(d) is governed by the Uniform Commercial Code as in effect in a jurisdiction of the United States other than The Commonwealth of Massachusetts, then "*UCC*" shall mean the Uniform Commercial Code as in effect from time to time

in such other jurisdiction for purposes of the provisions of this Agreement and any financing statement relating to such perfection or effect of perfection or non-perfection.

"*Vertex*" shall have the meaning set forth in the preamble and shall, when used with respect to the definitions of Net Sales, Royalty, Royalties, Patent Rights and other similar terms, include its Subsidiaries and joint ventures.

"*Vertex Account*" has the meaning set forth in Section 5.05(f).

"*Vertex Indemnified Party*" shall have the meaning set forth in Section 8.05(b).

"*Vertex Technical Information*" shall have the meaning set forth in the License Agreement.

ARTICLE II
PURCHASE AND SALE OF THE PURCHASED INTEREST

Section 2.01. ***Purchase and Sale*.**

(a) Subject to the terms and conditions of this Agreement, on the Closing Date Vertex shall sell, assign, transfer and convey to the Purchaser and the Purchaser shall purchase, acquire and accept all of Vertex's right, title and interest in and to the Purchased Interest free and clear of any and all Liens, other than those created in favor of the Purchaser by the Transaction Documents.

(b) Vertex and the Purchaser intend and agree that the sale, assignment, transfer and conveyance of the Purchased Interest under this Agreement shall be, and is, a true, absolute and irrevocable assignment and sale by Vertex to the Purchaser of the Purchased Interest and that such assignment and sale shall provide the Purchaser with the full benefits of ownership of the Purchased Interest. Neither Vertex nor the Purchaser intends the transactions contemplated hereunder to be, or for any purpose characterized as, a loan from the Purchaser to Vertex. Vertex waives any right to contest or otherwise assert that this Agreement is other than a true, absolute, and irrevocable sale and assignment by Vertex to the Purchaser of the Purchased Interest under applicable law, which waiver shall be enforceable against Vertex in any bankruptcy or insolvency proceeding relating to Vertex.

(c) Vertex hereby consents to the Purchaser recording and filing, at the Purchaser's sole cost and expense, financing statements in the appropriate filing offices under the UCC (and continuation statements with respect to such financing statements when applicable) meeting the requirements of applicable law in such manner and in such jurisdictions as are necessary or appropriate to evidence the purchase, acquisition and acceptance by the Purchaser of the Purchased Interest and to perfect the security interest in the Purchased Interest granted by Vertex to the Purchaser pursuant to Section 2.01(d).

(d) Notwithstanding that Vertex and the Purchaser expressly intend for the sale, transfer, assignment and conveyance of the Purchased Interest to be a true and absolute sale and assignment, Vertex hereby grants, conveys, pledges and assigns to the Purchaser, as security for its obligations created hereunder in the event that the transfer contemplated by this Agreement is held not to be a sale, a first priority security interest in and to all of Vertex's right, title and interest in, to and under the Purchased Interest.

Section 2.02. ***Entitlement to Payments*.**

The Purchaser shall be entitled to receive the following transfers and payments in respect of the Purchased Interest:

(a) Vertex agrees that the Purchaser is entitled to the Purchased Interest and may enforce such entitlement directly against GSK pursuant to the License Agreement and, notwithstanding any claim or Set-off which Vertex may have against the Purchaser or which GSK may have against Vertex, Vertex agrees and will use its best efforts to ensure (including taking such actions as the

Purchaser shall reasonably request) that GSK remits all payments GSK is required to pay to Vertex under the License Agreement with respect to the Purchased Interest directly to the Purchaser (and/or to an assignee of the Purchaser), pursuant to the GSK Direction. The Purchaser acknowledges and agrees that the payments to be made by GSK with respect to the Purchased Interest will not include the amounts required to be paid to Pfizer under the terms of the Pfizer Agreement (or, in lieu thereof, such lesser amounts which shall be required to be paid to Pfizer pursuant to any amendment or supplement thereto or any agreement substituted therefor), which amounts shall be deducted from the amounts payable to Vertex and shall be paid directly to Pfizer pursuant to the GSK/Pfizer Instruction.

(b) Except as set forth in Section 2.02(c), for avoidance of doubt, the parties understand and agree that if GSK fails to pay any Royalties when Vertex or the Purchaser reasonably believes such Royalties are due under the License Agreement (each such unpaid amount, a "*Discrepancy*"), and if such Discrepancy is not the result of a default or breach by Vertex under the License Agreement, then Vertex shall not be obligated to pay to the Purchaser or otherwise compensate or make the Purchaser whole with respect to any such Discrepancy so long as Vertex is in compliance with the provisions of this Agreement; *provided*, *however*, that nothing in this Section 2.02 (b) shall limit or affect in any respect the rights of any Purchaser Indemnified Party under Section 8.05.

(c) Vertex agrees that it will promptly pay to the Purchaser the amount of any Permitted Set-off by GSK against any Royalties to the extent that such Permitted Set-off arises out of or relates to any period prior to the Royalties Commencement Date or to any events occurring or actions taken prior to the Royalties Commencement Date.

Section 2.03. ***Purchase Price*****.**

In full consideration for the sale, assignment, transfer and conveyance of the Purchased Interest, and subject to the terms and conditions set forth herein, including the conditions set forth in Article VI, the Purchaser shall pay to Vertex, or its designee, on the Closing Date, the sum of U.S. $160 million, by wire transfer to an account designated in writing by Vertex at least two (2) Business Days prior to the Closing Date (the "*Purchase Price*").

Section 2.04. ***No Assumed Obligations*****.**

Notwithstanding any provision in this Agreement or any other writing to the contrary, the Purchaser is purchasing, acquiring and accepting only the Purchased Interest and is not assuming any liability or obligation of Vertex or any of its Affiliates of whatever nature, whether presently in existence or arising or asserted hereafter, whether under the License Agreement, the Pfizer Agreement (including any obligation to pay any amounts to, or accept any Set-off (other than a Permitted Set-off) by, any Pfizer Party, GSK or any of its Affiliates), or any Transaction Document or otherwise, except as expressly provided in Section 5.05(d). All such liabilities and obligations shall be retained by and remain obligations and liabilities of Vertex or its Affiliates (the "*Excluded Liabilities and Obligations*").

Section 2.05. ***Excluded Assets*****.**

The Purchaser does not, by purchase, acquisition or acceptance of the rights granted hereunder or otherwise pursuant to any of the Transaction Documents, purchase, acquire or accept any assets or contract rights of Vertex under the License Agreement or the Pfizer Agreement, other than the Purchased Interest, or any other assets of Vertex.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF VERTEX

Vertex hereby represents and warrants to the Purchaser as of the date first written above and the Closing Date, the following:

Section 3.01. ***Organization.***

Vertex is a corporation duly incorporated, validly existing and in good standing under the laws of The Commonwealth of Massachusetts, and has all corporate powers and all licenses, authorizations, consents and approvals of all Governmental Authorities required to carry on its business as now conducted and to execute and deliver, and perform its obligations under the Transaction Documents and to exercise its rights and to perform its obligations under the License Agreement. Vertex is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction in which the failure to do so could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect. Neither the Purchaser nor any of its partners, members or controlling Persons, is an Affiliate of Vertex or any Subsidiary of Vertex.

Section 3.02. ***Corporate Authorization.***

Vertex has all necessary corporate power and authority to enter into, execute and deliver the Transaction Documents and to perform all of the obligations to be performed by it hereunder and thereunder and to consummate the transactions contemplated hereunder and thereunder. The Transaction Documents have been, or will be, when executed, duly authorized, executed and delivered by Vertex and each Transaction Document constitutes, or will constitute, when executed, the legal, valid and binding obligation of Vertex, enforceable against Vertex in accordance with its respective terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equitable principles.

Section 3.03. ***Governmental and Third Party Authorization.***

The execution and delivery by Vertex of the Transaction Documents, and the performance by Vertex of its obligations and the consummation of any of the transactions contemplated hereunder and thereunder, do not require any consent, approval, license, order, authorization, or declaration from, notice to, action or registration by, or filing with any Governmental Authority or any other Person, except for the filing of proper financing statements under the UCC and the filing of a Current Report on Form 8-K with the Securities and Exchange Commission.

Section 3.04. ***Ownership.***

Vertex is the exclusive owner of the entire right, title (legal and equitable) and interest in and to the Purchased Interest, the Royalties and the Patent Rights, including the right to sue and recover for past and future infringement of the Patent Rights, free and clear of all Liens. Vertex has duly and legally filed or applied for registration for its ownership interest in the patents included in the Patent Rights in the appropriate agencies in the jurisdictions set forth on *Schedule 3.10(a)*, and Vertex is the exclusive "owner of record" of the Patent Rights in each such jurisdiction. Upon the sale, assignment, transfer and conveyance by Vertex of the Purchased Interest to the Purchaser, the Purchaser will acquire good and marketable title to the Purchased Interest free and clear of all Liens, other than Liens in favor of the Purchaser.

Section 3.05. ***Solvency.***

Upon consummation of the transactions contemplated by the Transaction Documents (i) the fair saleable value of Vertex's assets will be greater than the sum of its debts and other obligations,

including contingent liabilities, (ii) the present fair saleable value of Vertex's assets will be greater than the amount that would be required to pay its probable liabilities on its existing debts and other obligations, including contingent liabilities, as they become absolute and matured, (iii) Vertex will be able to realize upon its assets and pay its debts and other obligations, including contingent obligations, as they mature, (iv) Vertex will not have unreasonably small capital with which to engage in its business, and (v) Vertex will not incur, nor does it have present plans or intentions to incur, debts or other obligations or liabilities beyond its ability to pay such debts or other obligations or liabilities as they become absolute and matured.

Section 3.06. ***No Litigation*****.**

Except as otherwise disclosed in the Schedules to Section 3.10 hereof, there is no (i) action, suit, arbitration proceeding, claim, investigation or other proceeding (whether civil, criminal, administrative, investigative, or informal) pending or, to the Knowledge of Vertex, threatened by or against Vertex or any of its Subsidiaries or, to the Knowledge of Vertex, pending or threatened by or against GSK or any of its Sublicensees, at law or in equity, or (ii) inquiry or investigation (whether civil, criminal, administrative, investigative, or informal) by or before a Governmental Authority pending or, to the Knowledge of Vertex, threatened against Vertex or any of its Subsidiaries or, to the Knowledge of Vertex, pending or threatened against GSK or any of its Sublicensees, which, in each case with respect to clause (i) or (ii), (A) if adversely determined, could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect or (B) challenges, or may have the effect of preventing, delaying, making illegal, or otherwise interfering with, any of the transactions contemplated by any of the Transaction Documents. To the Knowledge of Vertex, and other than with respect to the matters included within Section 3.10, as to which specific representations and warranties have been negotiated (the intent of the parties being that any matter within the scope of Section 3.10 is not to be covered by the representation and warranty made in this sentence), no event has occurred or circumstance exists that may give rise to or serve as a basis for the commencement of any such action, suit, arbitration, claim, investigation, proceeding or inquiry.

Section 3.07. ***Compliance with Laws*****.**

None of Vertex or any of its Subsidiaries is (i) in violation of, or has violated, or to the Knowledge of Vertex, is under investigation with respect to, or has been threatened to be charged with or been given notice of any violation of, any law, rule, ordinance or regulation of, or any judgment, order, writ, decree, permit or license granted, issued or entered by, any Governmental Authority or (ii) subject to any judgment, order, writ, decree, permit or license granted, issued or entered by any Governmental Authority, in each case, that could reasonably be expected to, individually or in the aggregate, adversely affect, in any respect, (A) the legality, validity or enforceability of any of the Transaction Documents, the License Agreement, the Pfizer Agreement, the Side Agreement or the back-up security interest granted pursuant to Section 2.01(d), (B) the right or ability of Vertex (or any permitted assignee) to perform any of its obligations under any of the Transaction Documents, the License Agreement, the Pfizer Agreement or the Side Letter or to consummate the transactions contemplated hereunder or thereunder, (C) the rights or remedies of the Purchaser under any of the Transaction Documents, (D) the right or ability of the Purchaser to receive any Royalties or the timing, amount or duration of such Royalties, (E) the Purchased Interest or (F) the Patent Rights (an "*Adverse Effect*"). To the Knowledge of Vertex, and other than with respect to any matters within the scope of Section 3.10 or Section 3.11, as to which specific representations and warranties have been negotiated (the intent of the parties being that any matter within the scope of either Section 3.10 or Section 3.11 is not to be covered by the representation and warranty made in this sentence), no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) may constitute or result in a violation by Vertex or any of its Subsidiaries of, or a failure on the part of Vertex or any of its Subsidiaries to comply with, any such law, rule, ordinance or regulation of, or any judgment, order,

writ, decree, permit or license granted, issued or entered by, any Governmental Authority, in each case, that could reasonably be expected to result, individually or in the aggregate, in an Adverse Effect.

Section 3.08. ***No Conflicts*****.**

(a) Neither the execution and delivery of any of the Transaction Documents nor the performance or consummation of the transactions contemplated hereby and thereby will: (i) contravene, conflict with, result in a breach or violation of, constitute a default (with or without notice or lapse of time, or both) under, or accelerate the performance provided by, in any respects, (A) any statute, law, rule, ordinance or regulation of any Governmental Authority, or any judgment, order, writ, decree, permit or license of any Governmental Authority, to which Vertex or any of its Subsidiaries or any of their respective assets or properties may be subject or bound, (B) any contract, agreement, commitment or instrument to which Vertex or any of its Subsidiaries is a party or by which Vertex or any of its Subsidiaries or any of their respective assets or properties is bound or committed, other than the License Agreement, the Pfizer Agreement and the Side Agreement, or (C) any provisions of the certificate of incorporation or by-laws (or other organizational or constitutional documents) of Vertex or any of its Subsidiaries; (ii) give rise to any additional right of termination, cancellation or acceleration of any right or obligation of Vertex or any of its Subsidiaries or any other Person or Governmental Authority; (iii) except as provided in the Transaction Documents, result in the creation or imposition of any Lien on the Patent Rights, the Products, the License Agreement, the Pfizer Agreement, the Side Agreement, the Royalties or the Purchased Interest; or (iv) contravene, conflict with, result in a breach or violation of, constitute a default (with or without notice or lapse of time, or both) under, give to any other Person the right to terminate (except pursuant to Section 11.2 of the License Agreement), or accelerate the performance provided by, in any respects, any provision of the License Agreement, the Pfizer Agreement or the Side Agreement; *provided, however*, that, in the case of clause (i)(B), such contravention, conflict, breach, violation, default or acceleration could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

(b) Vertex has not granted, nor does there exist, any Lien on the License Agreement, the Pfizer Agreement, the Side Agreement, the Patent Rights or the Purchased Interest. Except for the license granted by Vertex to GSK under the License Agreement, there are no licenses, sublicenses, or other rights under the Patent Rights that have been granted to any other Person or Governmental Authority.

Section 3.09. ***Broker's Fees*****.**

Vertex has not taken any action that would entitle any Person other than Morgan Stanley & Co. Incorporated (whose fees shall be paid by Vertex) to any commission or broker's fee in connection with the transactions contemplated by the Transaction Documents.

Section 3.10. ***Patent Rights*****.**

(a) *Schedule 3.10(a)* sets forth an accurate and complete list of all Patent Rights. For each of the Patent Rights listed on *Schedule 3.10(a)*, Vertex has indicated (i) the countries in which such patents are pending, allowed, granted or issued, (ii) the patent number, and (iii) the scheduled expiration date of the issued patents.

(b) To the Knowledge of Vertex, each issued claim and each claim that has been allowed or granted by the appropriate Patent Office included in the relevant Patent Rights that covers a Licensed Product and generates the Royalties is valid and enforceable.

(c) There are no unpaid maintenance or renewal fees payable by Vertex to any third party that currently are overdue for any of the Patent Rights. No Patent Rights have lapsed or been

abandoned, cancelled or expired. To the Knowledge of Vertex, each individual associated with the filing and prosecution of the Patent Rights, including the named inventors of the Patent Rights, has complied in all material respects with all applicable duties of candor and good faith in dealing with any Patent Office, including any duty to disclose to any Patent Office all information known to be material to the patentability of each of the Patent Rights (including any relevant prior art), in those jurisdictions where such duties exist.

(d) Subsequent to the issuance of the Patent Rights, neither Vertex nor, to the Knowledge of Vertex, GSK has filed any disclaimer or made or permitted any other voluntary reduction in the scope of the Patent Rights. No allowable or allowed subject matter of the Patent Rights is subject to any competing conception claims of allowable or allowed subject matter of any patent applications or patents of any third party and have not been the subject of any interference, re-examination or opposition proceedings, except as set forth in *Schedule 3.10(d)*.

(e) Except as set forth in *Schedule 3.10(d)*, to the Knowledge of Vertex, there is no pending or threatened opposition, interference, reexamination, injunction, claim, lawsuit, proceeding, hearing, investigation, complaint, arbitration, mediation, demand, International Trade Commission investigation, decree, or any other dispute, disagreement, or claim (each, a "*Dispute*" and collectively, the "*Disputes*") challenging the legality, validity, enforceability or ownership of any of the Patent Rights or which could give rise to a credit against the payments due to Vertex under the License Agreement for the use of the related Patent Rights. To the Knowledge of Vertex, there are no Disputes by any third party against Vertex involving any Product. To the Knowledge of Vertex, the Patent Rights are not subject to any outstanding injunction, judgment, order, decree, ruling, change, settlement or other disposition of a Dispute.

(f) Except as otherwise disclosed on *Schedule 3.10(f)*, to the Knowledge of Vertex, there is no pending or threatened, and no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) could reasonably be expected to give rise to or serve as a basis for any, action, suit, or proceeding, or any investigation or claim by any Person or Governmental Authority to which Vertex or, to the Knowledge of Vertex, to which GSK or any of its Affiliates or Sublicensees is or could be a party that claims that the marketing, sale or distribution of either Product by GSK or any of its Affiliates or Sublicensees pursuant to the License Agreement does or could infringe on any patent or other intellectual property rights of any other Person or Governmental Authority. To the Knowledge of Vertex, there are no pending United States, international or foreign patent applications owned by any third party that, if issued, would limit or prohibit, in any material respect, the manufacture, use or sale of either Product by Vertex, GSK or any of their respective sublicensees.

(g) Amprenavir and fosamprenavir are Licensed Products.

(h) To the Knowledge of Vertex, there is no third party infringing any Patent Rights, nor has Vertex received any notice under the License Agreement of infringement of any of the Patent Rights.

Section 3.11. ***Regulatory Approval, Manufacturing and Marketing*****.**

(a) To the Knowledge of Vertex, GSK has complied with its obligations to develop the Products and seek and obtain Regulatory Approval for the Products pursuant to the License Agreement.

(b) To the Knowledge of Vertex, the Product fosamprenavir has received Regulatory Approval for marketing and distribution in the countries listed on *Schedule 3.11(b)*.

Section 3.12. ***Subordination*.**

The claims and rights of the Purchaser created by any Transaction Document in and to the Purchased Interest are not and shall not, at any time, be subordinated to any creditor of Vertex or any other Person or Governmental Authority.

Section 3.13. ***License Agreement and Pfizer Agreement*.**

(a) Other than the License Agreement, the Pfizer Agreement and the Transaction Documents, there is no contract, agreement or other arrangement (whether written or oral) to which either Vertex or any of its Subsidiaries is a party or by which any of their respective assets or properties is bound or committed (i) which creates a Lien on, affects or otherwise relates to the Purchased Interest, the License Agreement, the Pfizer Agreement, the Royalties or the Patent Rights, or (ii) for which breach, nonperformance, cancellation or failure to renew could reasonably be expected to result, individually or in the aggregate, in a Material Adverse Effect.

(b) Vertex has provided to the Purchaser an accurate and complete copy of each of the License Agreement, the Pfizer Agreement, the Side Agreement and each confidentiality agreement relating to any of the foregoing.

(c) The Pfizer Agreement is the legal, valid and binding obligation of Vertex and, to the Knowledge of Vertex, GSK and the Pfizer Parties, enforceable against Vertex and, to the Knowledge of Vertex, GSK and the Pfizer Parties in accordance with its terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general equitable principles. The execution, delivery and performance of the Pfizer Agreement was and is within the corporate powers of Vertex and, to the Knowledge of Vertex, GSK and the Pfizer Parties. The Pfizer Agreement was duly authorized by all necessary action on the part of, and validly executed and delivered by Vertex and, to the Knowledge of Vertex, GSK and the Pfizer Parties. There is no breach or default, or event or circumstance which upon notice or the passage of time, or both, could (i) give rise to any breach or default, in the performance of the Pfizer Agreement by Vertex or, to the Knowledge of Vertex, GSK or the Pfizer Parties or (ii) give to GSK or the Pfizer Parties the right to terminate the Pfizer Agreement.

(d) The License Agreement is the legal, valid and binding obligation of Vertex and, to the Knowledge of Vertex, GSK, enforceable against Vertex and, to the Knowledge of Vertex, GSK in accordance with its terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general equitable principles. The execution, delivery and performance of the License Agreement was and is within the corporate powers of Vertex and, to the Knowledge of Vertex, GSK. The License Agreement was duly authorized by all necessary action on the part of, and validly executed and delivered by, Vertex and, to the Knowledge of Vertex, GSK. Except as set forth on *Schedule 3.13(e)*, there is no breach or default, and no event has occurred or circumstance exists that (with or without notice or lapse of time, or both) could (i) constitute or give rise to a breach or default, in the performance of the License Agreement by Vertex or, to the Knowledge of Vertex, GSK or (ii) give to GSK the right to terminate the License Agreement (except pursuant to Section 11.2 thereof).

(e) Except as set forth on *Schedule 3.13(e)*, Vertex has not waived any rights or defaults under the License Agreement or the Pfizer Agreement that adversely affects the Purchaser's rights and obligations under any of the Transaction Documents.

(f) Vertex has not received any notice of GSK's, any Pfizer Party's or any other Person's or Governmental Authority's (where applicable) intention to terminate the License Agreement or the

Pfizer Agreement, in whole or in part, or challenging the validity or enforceability of the License Agreement or the Pfizer Agreement or the obligation to pay the Royalties under the License Agreement, or that any of Vertex, GSK, or the Pfizer Parties is in default of its obligations under the License Agreement or the Pfizer Agreement. Vertex has no intention of terminating the License Agreement or the Pfizer Agreement and has not given GSK or the Pfizer Parties any notice of termination of the License Agreement or the Pfizer Agreement, in whole or in part, including, without limitation, under Section 2.4(b) of the License Agreement.

(g) Except as provided in the License Agreement and the Pfizer Agreement, Vertex is not a party to any agreement providing for or permitting a sharing of, or Set-off against, the Royalties payable under the License Agreement to Vertex.

(h) The sale by Vertex of the Purchased Interest to the Purchaser will not require the approval, consent, ratification, waiver, or other authorization of GSK or any other Person or Governmental Authority under the License Agreement or the Pfizer Agreement or otherwise and will not constitute a breach of or default or event of default under the License Agreement or the Pfizer Agreement or any other agreement or law applicable thereto.

(i) All amounts required to be paid to any Pfizer Party under the Pfizer Agreement have been paid to such Pfizer Party, and no amount is required to be paid by Vertex to any Pfizer Party under the Pfizer Agreement.

(j) Vertex has not received a notice under the License Agreement stating that GSK has sublicensed any of its rights under the License Agreement.

(k) Vertex has not consented to (i) an assignment by GSK of any of GSK's rights or obligations under the License Agreement or the Pfizer Agreement or (ii) an assignment by any or all of the Pfizer Parties of any of such Pfizer Party's rights or obligations under the Pfizer Agreement, nor does Vertex have Knowledge of any such assignment by GSK or a Pfizer Party.

(l) Neither Vertex nor GSK has made any claim of indemnification under the License Agreement.

(m) Vertex has not exercised its rights to conduct an audit under Section 5.5 of the License Agreement.

(n) GSK has not made, or attempted to make, any demonstration to Vertex that its profit margin on sales of Licensed Products is materially and unusually low, under the provisions of Section 5.3.1 of the License Agreement addressing the obligation to pay Enhanced Royalties (as defined therein).

(o) To Vertex's Knowledge, Vertex has received all amounts owed to it under Article V of the License Agreement.

Section 3.14. ***Set-off and Other Sources of Royalty Reduction*****.**

Except for Permitted Set-offs, GSK has no right of Set-off under any contract or other agreement against the Royalties or any other amounts payable to Vertex under the License Agreement. GSK has not exercised, and to Vertex's Knowledge, GSK has not had the right to exercise, and to Vertex's Knowledge, no event or condition exists that, upon notice or passage of time or both, would reasonably be expected to permit GSK to exercise, any Set-off against the Royalties or any other amounts payable to Vertex under the License Agreement, except pursuant to paragraph five of the Side Agreement. To the Knowledge of Vertex, there are no third party patents that would provide a basis for a reduction in the royalties due to Vertex pursuant to the License Agreement, other than the patents licensed pursuant to the Pfizer Agreement, and the royalties payable thereunder. There are no compulsory licenses granted or, to the Knowledge of Vertex, threatened with respect to the Patent Rights and there

is no basis for GSK to claim a royalty reduction under Section 5.3.6 of the License Agreement with respect thereto. Neither Vertex nor, to the Knowledge of Vertex, GSK, has taken any of the actions described in Section 13.16(b) or Section 13.16(c) of the License Agreement, as applicable.

Section 3.15. ***UCC Representations and Warranties*****.**

Vertex's exact legal name is, and for the immediately preceding 10 years has been, "Vertex Pharmaceuticals Incorporated," and Vertex's principal place of business and jurisdiction of incorporation is, and for the past 10 years has been, located in The Commonwealth of Massachusetts.

Section 3.16. ***Taxes*****.**

No deduction or withholding for or on account of any tax has been made, or was required under applicable law to be made, from any payment to Vertex under the License Agreement.

Section 3.17. ***Field of Use*****.**

The Products are the only Licensed Products that currently have any established value in the Field. Other than the Products, no Licensed Product is under development in the Field by Vertex or any of its Affiliates or, to the Knowledge of Vertex, GSK or any of its Affiliates.

Section 3.18. ***Disclosure*****.**

The Information Memorandum (excluding Section 5 ("*L.E.K. Report*") and Section 11 ("*Opinions Regarding Vertex Patents and Commercialization*") thereof), taken as a whole, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Vertex makes no representation or warranty, express or implied, with respect to the matters disclosed in Section 5 ("L.E.K. Report"); Section 7 ("*Proposed Forms of Debt Documentation*"); Section 8 ("*Proposed Form of Partnership Agreement*"); and Section 11 ("*Opinions Regarding Vertex Patents and Commercialization*") of the Information Memorandum; *provided*, *however*, that, notwithstanding the foregoing, any and all information provided or made available by or on behalf of Vertex or any of its Affiliates to the third parties which prepared the aforementioned Sections of the Information Memorandum was, on the date so provided or made available, and is, in each case true and correct in all material respects.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

The Purchaser hereby represents and warrants to Vertex as of the date first written above and the Closing Date, the following:

Section 4.01. ***Organization*****.**

The Purchaser is a Delaware limited partnership duly formed, validly existing and in good standing under the laws of the State of Delaware, and has all partnership powers and all licenses, authorizations, consents and approvals of any Governmental Authority required to carry on its business as now conducted.

Section 4.02. ***Authorization*****.**

The Purchaser has all necessary partnership power and authority to enter into, execute and deliver the Transaction Documents and to perform all of the obligations to be performed by it hereunder and thereunder and to consummate the transactions contemplated hereunder and thereunder. The Transaction Documents have been, or will be when executed, duly authorized, executed and delivered

by the Purchaser and each Transaction Document constitutes, or will constitute when executed, the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with its respective terms, subject, as to enforcement of remedies, to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally or general equitable principles.

Section 4.03. ***Governmental and Third Party Authorization*****.**

The execution and delivery by the Purchaser of the Transaction Documents, and the performance by the Purchaser of its obligations and the consummation of any of the transactions contemplated hereunder and thereunder, do not require any consent, approval, license, order, authorization, or declaration from, notice to, action or registration by, or filing with any Governmental Authority or any other Person.

Section 4.04. ***Broker's Fees*****.**

The Purchaser has not taken any action that would entitle any Person to any commission or broker's fee in connection with the transactions contemplated by the Transaction Documents.

Section 4.05. ***No Conflicts*****.**

Neither the execution and delivery of any of the Transaction Documents nor the performance or consummation of the transactions contemplated hereby or thereby will: (i) contravene, conflict with, result in a breach or violation of, constitute a default (with or without notice or lapse of time, or both) under, or accelerate the performance provided by, in any material respects any provisions of (A) any statute, law, rule or regulation of any Governmental Authority, or any judgment, order, writ, decree, permit or license of any Governmental Authority, to which the Purchaser or any of its assets or properties may be subject or bound, or (B) any contract, agreement, commitment or instrument to which the Purchaser is a party or by which the Purchaser or any of its assets or properties is bound or committed; or (ii) contravene, conflict with, result in a breach or violation of, constitute a default (with or without notice or lapse of time, or both) under, or accelerate the performance provided by, any provisions of any organizational or constitutional documents of the Purchaser.

Section 4.06. ***Access to Information*****.**

The Purchaser acknowledges that it has (i) reviewed the License Agreement and such other documents and information relating to the Products and (ii) has had the opportunity to ask such questions of, and to receive answers from, representatives of Vertex concerning the License Agreement and the Products, in each case, as it deemed necessary to make an informed decision to purchase, acquire and accept the Purchased Interest in accordance with the terms of this Agreement. The Purchaser has such knowledge, sophistication and experience in financial and business matters that it is capable of evaluating the risks and merits of purchasing, acquiring and accepting the Purchased Interest in accordance with the terms of this Agreement.

Section 4.07. ***No Litigation*****.**

There is no (i) action, suit, arbitration proceeding, claim, investigation or other proceeding pending, or, to the knowledge of the Purchaser, threatened against the Purchaser, at law or in equity or (ii) inquiry by a Governmental Authority pending or, to the knowledge of the Purchaser, threatened against the Purchaser, which in each case with respect to clauses (i) and (ii) above, if adversely determined, would prevent the consummation of the transactions contemplated by this Agreement.

Section 4.08. ***Funds Available*.**

The Purchaser has sufficient funds on hand or binding and enforceable commitments to provide it with sufficient funds to satisfy its obligations, in each case to pay the Purchase Price, and the Purchaser has no reason to believe, and has not been provided with oral or written notice that any of its investors are not required or do not intend, for any reason, to satisfy their obligations under such commitments. The Purchaser acknowledges and agrees that its obligations under this Agreement are not contingent on obtaining financing.

ARTICLE V
COVENANTS

The parties covenant and agree as follows:

Section 5.01. ***Books and Records*.**

(a) After receipt by Vertex of notice of any action, claim, demand, dispute, investigation, arbitration or proceeding (commenced or threatened) relating to the transactions contemplated by any Transaction Document, the Purchased Interest, the License Agreement, the Pfizer Agreement or the Side Agreement, or any default or termination by any Person under the License Agreement, the Pfizer Agreement or the Side Agreement, Vertex (i) shall promptly inform the Purchaser in writing of the receipt of such notice and the substance thereof and (ii) shall, if such notice is in writing, promptly furnish the Purchaser with a copy of such notice and any related materials with respect thereto; *provided*, *however*, that, with respect to this clause (ii), for so long as the disclosure by Vertex to the Purchaser of any portion of such information would constitute a breach by Vertex of any confidentiality obligation to GSK or any other Person pursuant to the License Agreement, as in effect on the date hereof, or the Pfizer Agreement, Vertex may withhold and shall have no obligation to disclose or furnish to the Purchaser solely such portion of such information.

(b) Vertex shall keep and maintain, or cause to be kept and maintained, at all times full and accurate books and records adequate to reflect accurately all financial information it has received from GSK with respect to the Royalties, and all amounts paid and/or payable to Pfizer with respect to the Pfizer Agreement.

(c) Promptly after receipt by Vertex of any written notice, certificate, offer, proposal, correspondence, report or other communication relating to the License Agreement, the Pfizer Agreement, the Side Agreement, the Royalties, the Patent Rights, the Purchased Interest or the Products, Vertex shall (i) inform the Purchaser in writing of such receipt, (ii) provide to the Purchaser in writing a reasonably detailed description of the substance thereof and (iii) furnish the Purchaser with a copy of such notice, certificate, offer, proposal, correspondence, report or other communication; *provided*, *however*, that (i) this paragraph (c) shall not apply to any such communication solely with respect to Permitted Amendments; *provided* that, upon any such Permitted Amendment becoming legally binding or effective, Vertex shall promptly provide the Purchaser with written notice thereof and a copy of such Permitted Amendment and (ii) with respect to clauses (ii) and (iii) of this paragraph (c), for so long as the disclosure by Vertex to the Purchaser of any portion of such information would constitute a breach by Vertex of any confidentiality obligation to GSK or any other Person pursuant to the License Agreement, as in effect on the date hereof, or the Pfizer Agreement, Vertex may withhold and shall have no obligation to disclose or furnish to the Purchaser solely such portion of such information.

Section 5.02. ***Confidentiality; Public Announcement*.**

(a) Except as otherwise required by law or the rules and regulations of any securities exchange or trading system or the FDA or any other Governmental Authority with similar

regulatory authority and except as otherwise set forth in this Section 5.02, all Confidential Information furnished by Vertex to the Purchaser, as well as the terms, conditions and provisions of this Agreement and any other Transaction Document, shall be kept confidential by the Purchaser, and shall be used by the Purchaser only in connection with this Agreement and any other Transaction Document and the transactions contemplated hereby and thereby. Notwithstanding the foregoing, the Purchaser may disclose such information to its actual and potential partners, directors, employees, managers, officers, agents, investors (including any holder of debt securities of the Purchaser and its agents and representatives), co-investors, insurers and insurance brokers, underwriters, financing parties, equity holders, brokers, advisors, lawyers, bankers, trustees and representatives; *provided* that such Persons (i) shall be informed of the confidential nature of such information and shall be obligated to keep such information confidential pursuant to obligations of confidentiality no less onerous than those set out herein or (ii) shall have executed and delivered the Resale Confidentiality Undertaking attached as Exhibit B to the Indenture.

(b) Vertex and the Purchaser acknowledge that each party will, after execution of this Agreement, make a public announcement of the transactions contemplated by the Transaction Documents. Vertex and the Purchaser agree that after the Closing, public announcements may be issued in the form of one or more press releases, in each case subject to the Purchaser or Vertex having a reasonable prior opportunity to review such public announcement, and which announcement shall be in a form mutually acceptable to the Purchaser and Vertex; and either party may thereafter disclose any information contained in such press release at any time without the consent of the other party.

Section 5.03. ***Quarterly Certificates*****.**

Vertex shall, within fifteen (15) calendar days following the receipt by Vertex of the reports required under Section 5.4 of the License Agreement (each, a "*Section 5.4 Report*"), deliver to the Purchaser a report of the Controller (or equivalent officer) of Vertex certifying as to (i) the aggregate amount (in U.S. dollars) that should have been received by the Purchaser in respect of the quarterly period covered by such Section 5.4 Report and (ii) all other information set forth in such Section 5.4 Report; *provided*, *however*, that, with respect to this clause (ii), for so long as the disclosure by Vertex to the Purchaser of any portion of such information would constitute a breach by Vertex of any confidentiality obligation to GSK or any other Person pursuant to the License Agreement, as in effect on the date hereof, or the Pfizer Agreement, Vertex may withhold and shall have no obligation to disclose or furnish to the Purchaser solely such portion of such information.

Section 5.04. ***Best Efforts; Further Assurance*.**

(a) Subject to the terms and conditions of this Agreement, each party hereto will use its best efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary under applicable laws and regulations to consummate the transactions contemplated by the Transaction Documents. The Purchaser and Vertex agree to execute and deliver such other documents, certificates, agreements and other writings and to take such other actions as may be necessary or desirable, or reasonably requested by the other, in order to consummate or implement expeditiously the transactions contemplated by any Transaction Document and to vest and maintain in the Purchaser good, valid and marketable rights and interests in and to the Purchased Interest free and clear of all Liens.

(b) Vertex and the Purchaser shall cooperate and provide assistance as reasonably requested by the other party, at the expense of such other party (except as otherwise provided herein), in connection with any litigation, arbitration or other proceeding (whether threatened, existing, initiated, or contemplated prior to, on or after the date hereof) to which the other party hereto, any of its Affiliates or controlling Persons or any of their respective officers, directors, shareholders, members, controlling persons, managers, agents or employees is or may become a party or is or may become otherwise directly or indirectly affected or as to which any such Persons have a direct or indirect interest, in each case relating to any Transaction Document, the Purchased Interest or the transactions described herein or therein but in all cases excluding any litigation brought by Vertex against the Purchaser or brought by the Purchaser against Vertex.

Section 5.05. ***Payments to Vertex on Account of the Purchased Interest*.**

(a) Notwithstanding the terms of the GSK Direction, if GSK, any Pfizer Party, any Sublicensee or any other Person makes any payment to Vertex or any of its Subsidiaries on account of the Purchased Interest, then Vertex promptly, and in any event no later than three (3) Business Days following the receipt by Vertex or such Subsidiary of such payment, shall remit such payment to the Purchaser Account pursuant to Section 5.05(c).

(b) All payments made to Vertex on account of the Purchased Interest shall be held by Vertex in trust for the benefit of the Purchaser until remitted to the Purchaser Account pursuant to Section 5.05(c) and Vertex shall have no right, title or interest whatsoever in such amounts and shall not create or suffer to exist any Lien thereon.

(c) Vertex shall make all payments to be made by Vertex pursuant to this Agreement by wire transfer of immediately available funds, without Set-off, to the following account (or to such other account as the Purchaser shall notify Vertex in writing from time to time) (the "*Purchaser Account*"):

Bank Name: U.S. Bank National Association
ABA #: 091-000-022
Account #: 173103321092 Account Name: Fosamprenavir 123490000
Attention: Josh Tripi

(d) If GSK, any Pfizer Party, any Sublicensee or any other Person makes any payment to the Purchaser of Royalties relating to (i) periods prior to the Royalties Commencement Date; or (ii) amounts owed to Pfizer under the Pfizer Agreement, then the Purchaser promptly, and in any event no later than five (5) Business Days following the receipt by the Purchaser of such payment, shall remit such payment to the Vertex Account pursuant to Section 5.05(f), or to the Pfizer Account pursuant to Section 5.05(h), as applicable.

(e) All payments made to the Purchaser on account of Royalties relating to periods prior to the Royalties Commencement Date shall be held by the Purchaser in trust for the benefit of

Vertex until remitted to the Vertex Account pursuant to Section 5.05(f) and the Purchaser shall have no right, title or interest whatsoever in such amounts.

(f) The Purchaser shall make all payments in respect of Royalties relating to periods prior to the Royalties Commencement Date to be made by the Purchaser pursuant to this Agreement by wire transfer of immediately available funds, without Set-off, to the following account (or to such other account as Vertex shall notify the Purchaser in writing from time to time) (the "*Vertex Account*"):

Bank Name: Bank of America
ABA #: 026009593
Account #: 0009954309
Account Name: Vertex Pharmaceuticals Inc.
SWIFT Code: BOFAUS3N

(g) All payments made to the Purchaser on account of amounts owing to Pfizer under the Pfizer Agreement shall be held by the Purchaser in trust for the benefit of Pfizer until remitted to the Pfizer Account pursuant to Section 5.05(h) and the Purchaser shall have no right, title or interest whatsoever in such amounts.

(h) The Purchaser shall make all payments in respect of amounts owed to Pfizer under the Pfizer Agreement to be made by the Purchaser pursuant to this Agreement by wire transfer of immediately available funds, without Set-off, to the following account (or to such other account as Vertex shall notify the Purchaser in writing from time to time) (the "*Pfizer Account*"):

Bank Name: Bank of America
ABA #: 026009593
Account #: 4622832034
Account Name: Vertex Pharmaceuticals Inc. f/b/o Pfizer, Inc.
SWIFT Code: BOFAUS3N

Section 5.06. ***License Agreement and Pfizer Agreement.***

(a) Vertex shall comply with its obligations under the provisions of the License Agreement, the Pfizer Agreement and the Side Letter and, without the prior written consent of the Purchaser, shall not (i) forgive, release or compromise any amount owed to or becoming owing to Vertex under the License Agreement related to the Royalties or the Purchased Interest, (ii) waive, amend, cancel, terminate or, except as otherwise expressly set forth in this Article V, fail to exercise, any rights constituting or involving the right to receive the Royalties, (iii) create or permit to exist any Lien on the Purchased Interest, the Royalties or the Patent Rights, (iv) challenge or assist in a challenge of the legality, validity or enforceability of any of the Patent Rights, (v) amend, modify, restate, cancel, supplement, terminate or waive the Pfizer Agreement, the Side Agreement or any provision of the Pfizer Agreement or the Side Agreement, or grant any consent under or with respect to the Pfizer Agreement or the Side Agreement, (vi) other than a Permitted Amendment, amend, modify, restate, cancel, supplement or terminate the License Agreement or any provision of the License Agreement, (vii) grant any consent or waiver under or with respect to any provision of the License Agreement that could reasonably be expected to, individually or in the aggregate, result in an Adverse Effect or (viii) agree to do any of the foregoing, including entering into any agreement with GSK under the provisions of the License Agreement. Vertex covenants that for so long as Section 13.16(c) of the License Agreement remains in effect, Vertex shall not take any action giving rise to GSK's right to terminate Vertex's rights to further Royalties, pursuant to the terms of Section 13.16(c) of the License Agreement.

(b) Vertex shall promptly provide to the Purchaser copies of any notices, reports or other information given or prepared by GSK or any other Person and received by Vertex after the date

of this Agreement pursuant to the License Agreement, the Pfizer Agreement, the Side Agreement or hereunder which relate to the Royalties or the Purchased Interest; *provided*, *however*, that for so long as the disclosure by Vertex to the Purchaser of any portion of such information would constitute a breach by Vertex of any confidentiality obligation to GSK or any other Person pursuant to the License Agreement, as in effect on the date hereof, or the Pfizer Agreement, Vertex may withhold and shall have no obligation to disclose or furnish to the Purchaser solely such portion of such information.

(c) Promptly after (i) receiving notice from GSK, any Pfizer Party or any other Person, (A) terminating the License Agreement, the Pfizer Agreement or the Side Agreement (in each case, in whole or in part), (B) alleging any breach of or default under the License Agreement, the Pfizer Agreement or the Side Agreement by Vertex or (C) asserting the existence of any facts, circumstances or events which alone or together with other facts, circumstances or events could reasonably be expected (with or without the giving of notice or passage of time or both) to give rise to a breach of or default under the License Agreement, the Pfizer Agreement or the Side Agreement or the right to terminate the License Agreement, the Pfizer Agreement or the Side Agreement (in each case, in whole or in part) by GSK (except pursuant to Section 11.2 of the License Agreement), any Pfizer Party or any other Person or (ii) Vertex otherwise has Knowledge of any fact, circumstance or event which alone or together with other facts, circumstances or events could reasonably be expected (with or without the giving of notice or passage of time or both) to give rise to a breach of or default under the License Agreement, the Pfizer Agreement or the Side Agreement by Vertex or give GSK, any Pfizer Party or any other Person the right to terminate the License Agreement, the Pfizer Agreement or the Side Agreement (except pursuant to Section 11.2 of the License Agreement), in each case, Vertex shall (x) promptly give a written notice to the Purchaser describing in reasonable detail the relevant breach or default, including a copy of any written notice received from GSK, any Pfizer Party or the other relevant Person, and, in the case of any breach or default or alleged breach or default by Vertex, describing in reasonable detail any corrective action Vertex proposes to take and (y) use its best efforts to cure such breach or default and shall give written notice to the Purchaser upon curing such breach or default; *provided*, *however*, that, if Vertex fails to cure such breach or default promptly, the Purchaser shall, to the extent permitted under the License Agreement, the Pfizer Agreement and the Side Agreement, be entitled to take any and all actions the Purchaser deems reasonably necessary to cure such breach or default promptly, and Vertex shall promptly reimburse the Purchaser for all costs and expenses incurred in connection therewith.

(d) Promptly after Vertex obtains Knowledge of a breach of or default or alleged breach or default under the License Agreement, the Pfizer Agreement or the Side Agreement by GSK, any Pfizer Party or any other Person (each, a "*Defaulting Party*") or of the existence of any facts, circumstances or events which alone or together with other facts, circumstances or events could reasonably be expected (with or without the giving of notice or passage of time or both) to give rise to a breach of or default under the License Agreement, the Pfizer Agreement or the Side Agreement by a Defaulting Party, or a right to terminate the License Agreement, the Pfizer Agreement or the Side Agreement by Vertex, in each case, Vertex shall (i) promptly give a written notice to the Purchaser describing in reasonable detail the relevant breach, default or termination event, and (ii) as and when requested in writing by the Purchaser, proceed in consultation with the Purchaser and take such permissible actions (including commencing legal action against the Defaulting Party to the License Agreement, the Pfizer Agreement or the Side Agreement) as the Purchaser may in writing instruct with respect to such breach, default or termination event or alleged breach, default or termination event (including the selection of legal counsel reasonably satisfactory to the Purchaser) to enforce compliance by the Defaulting Party with the relevant provisions of the License Agreement, the Pfizer Agreement or the Side Agreement and to exercise any or all of Vertex's rights and remedies, whether under the License Agreement, the Pfizer

Agreement or the Side Agreement or by operation of law, with respect thereto. The reasonable fees and expenses of Vertex's outside legal counsel (which counsel shall be reasonably satisfactory to the Purchaser) incurred by Vertex in commencing and pursuing such action against the Defaulting Party shall be borne solely by the Purchaser (unless such breach or default results from or is caused by, directly or indirectly, a breach or default by Vertex, in which case such fees and expenses shall be borne solely by Vertex) and the Purchaser shall reimburse Vertex for all of such fees and expenses so reimbursable by the Purchaser upon demand. Notwithstanding the foregoing, the Purchaser acknowledges that GSK has not provided Vertex under the License Agreement with any marketing reports, updates to schedules, or Net Sales or royalty information on a country-by-country basis, and the Purchaser agrees that such failure and any continued failure by GSK to provide any such marketing reports, updates or information will not constitute, as between Vertex and the Purchaser, a breach of or default under the License Agreement by GSK. Provided that to do so will not affect in an adverse manner the maintenance by Vertex of any applicable attorney-client privilege, unless other arrangements can be effected to preserve such privilege, including, without limitation, a joint defense agreement (and Vertex and the Purchaser agree to negotiate in good faith to promptly execute and deliver a mutually satisfactory joint defense agreement), the Purchaser shall have the right, at its sole expense, to participate in and control, with counsel appointed by it, any meeting, discussion, litigation or other proceeding relating to any such breach, default or termination event or alleged breach, default or termination event, including, but not limited to, any counterclaim, settlement discussions or meetings; *provided* that the fees and expenses of the Purchaser's counsel in connection therewith shall be borne by the Purchaser (unless such breach, default or termination event or alleged breach, default or termination event results from, or is caused by, directly or indirectly, a breach or default by Vertex, in which case such fees and expenses shall be borne solely by Vertex).

(e) Subject to Section 8.3(a) of the License Agreement and to compliance by Vertex with Section 5.06(f), to the extent permitted pursuant to the License Agreement, Vertex shall (i) to the extent "commercially reasonable" (as determined below) to do so, take any and all actions, and prepare, execute, deliver and file any and all agreements, documents and instruments that are reasonably necessary or desirable to diligently maintain the Patent Rights, at the sole expense of Vertex (which expenses may be reimbursable to Vertex by GSK under the License Agreement), and (ii) diligently defend (and enforce) the Patent Rights against infringement or interference by any other Persons, and against any claims of invalidity or unenforceability, in any jurisdiction (including by bringing any legal action for infringement or defending any counterclaim of invalidity or action of a third party for declaratory judgment of non-infringement or non-interference), with counsel reasonably satisfactory to the Purchaser and whose reasonable fees and expenses shall be borne by the Purchaser. Vertex and the Purchaser agree that, for purposes of this Section 5.06(e), the determination of what actions are "commercially reasonable" shall be made in the context of actions that would be commercially reasonable for an owner and licensor of the Patent Rights, entitled to the full economic benefit thereof, without regard to any other business of, or assets owned by, such owner and licensor of the Patent Rights. Vertex shall not disclaim or abandon, or fail to take any action necessary or desirable to prevent the disclaimer or abandonment of, the applicable Patent Rights. The Purchaser, at its sole option and expense, shall have the right (but not the obligation) to participate in and control any action, suit or proceeding involving the infringement, legality, validity, or enforceability of the Patent Rights or the License Agreement, through counsel of its own choosing, to the same extent that Vertex has such rights under the License Agreement, and Vertex shall exercise and enforce such rights on its own behalf (and on behalf of the Purchaser) to the fullest extent under the terms of the License Agreement; *provided* that, Vertex's exercise and enforcement of such rights shall not result in a breach of this Agreement or a Material Adverse Effect.

(f) During the term of this Agreement, Vertex (i) will not make a request under Section 8.3(a) of the License Agreement that patent prosecution and maintenance with respect to a Product be discontinued, (ii) will give prompt written notice to the Purchaser of any request by GSK under Section 8.3(a) of the License Agreement, and will consent or withhold consent to such request as directed by the Purchaser (provided that if consent is withheld, the Purchaser will be responsible for all reasonable costs and expenses incurred by Vertex resulting from such maintenance and preservation) and (iii) Vertex shall refrain from disposing of or encumbering the Patent Rights.

Section 5.07. ***Termination of License Agreement.***

(a) Without limiting the provisions of Section 5.06, if GSK or Vertex terminates or provides written notice of termination of the License Agreement, and at such time the Patent Rights remain economically valuable, then Vertex shall provide assistance to and cooperate with the Purchaser, at the Purchaser's sole discretion, cost and expense (including the Purchaser's payment of Vertex's reasonable attorneys' fees in connection therewith, if any), in such efforts as the Purchaser shall undertake in connection with the negotiation of a license of the Patent Rights, to become effective not earlier than the effective date of termination of the License Agreement, which shall include terms no less favorable to Vertex than those contained in the License Agreement with respect to obligations and costs imposed on Vertex, disclaimers of Vertex's liability, intellectual property ownership and control, commercialization diligence and indemnification of Vertex (any such license, a "*New Arrangement*"). Should the Purchaser identify any New Arrangement, Vertex agrees to duly execute and deliver such New Arrangement that satisfies the foregoing requirements promptly upon the written request of the Purchaser. In the event Vertex enters into a New Arrangement, Vertex agrees to comply with the provisions of this Agreement in connection with the New Arrangement and references herein to the Purchased Interest and the License Agreement shall be deemed to be references to any new purchased interest and any new license agreement constructed under the New Arrangement, and references to GSK shall be deemed to be references to the other party to such new license agreement and that other party's Affiliates and sublicensees. If, at any time after the effective date of termination of the License Agreement, the Purchaser determines that it is no longer interested in or ceases to use commercially reasonable efforts to pursue a New Arrangement, it shall, no later than 60 days after the date thereof, give Vertex written notice of such determination or ceasing (a "*Termination Notice*").

(b) If there occurs a merger or consolidation of Vertex, on the one hand, and GSK or its Affiliates, on the other hand, and GSK shall terminate the License Agreement in connection with any such merger or consolidation, Vertex shall pay the Purchaser royalties on the Net Sales of Products for the term of the License Agreement on the same basis as if the License Agreement had continued and the Purchaser's rights with respect to the Purchased Interest and the covenants of Vertex under this Agreement shall continue to apply on the same basis as if the License Agreement was in place between Vertex and GSK.

Section 5.08. ***Audits.***

Vertex shall not, without the prior written consent of the Purchaser, and Vertex shall, upon the written request of the Purchaser, cause an inspection or audit of GSK's books and records to be conducted pursuant to, and in accordance with Section 5.5 of the License Agreement; *provided*, *however*, that in no event shall the Purchaser request such examination prior to the six-month anniversary of the Closing Date; and *provided*, *further*, *however*, that Vertex shall retain the exclusive right to inspect and audit GSK's books and records at any time and from time to time at its sole discretion for payments that are paid or payable to Vertex pursuant to the License Agreement with respect to Net Sales and Royalties attributable to the period prior to the Royalties Commencement Date. For the purposes of exercising the Purchaser's rights pursuant to this Section 5.08, Vertex shall

select such public accounting firm as the Purchaser shall recommend for such purpose. Vertex and the Purchaser agree that all the expenses of any inspection or audit carried out for the benefit of the Purchaser that would otherwise be borne by Vertex pursuant to the License Agreement shall instead be borne by the Purchaser, including such fees and expenses of such public accounting firm as are to be borne by Vertex pursuant to Section 5.5 of the License Agreement together with Vertex's reasonable out-of-pocket costs incurred in connection with such examination or audit. To the extent that disclosure of an inspection or audit report prepared by such public accounting firm is permitted pursuant to the License Agreement, Vertex will furnish such inspection or audit report to the Purchaser. To the extent that disclosure of such inspection or audit report is not permitted by the License Agreement, Vertex shall deliver to the Purchaser a certificate signed by an authorized signatory of Vertex and such public accounting firm certifying whether or not the results of such inspection or audit uncovered a discrepancy between the amounts paid to the Purchaser in respect of the Purchased Interest and the amounts that should have been paid to the Purchaser in respect of the Purchased Interest and the amount of any such discrepancy and any other information permitted to be disclosed pursuant to the License Agreement. The Purchaser shall have the right to require Vertex, in writing, at the sole expense of the Purchaser, to exercise Vertex's rights under the License Agreement to cause GSK to cure such discrepancy in accordance with the License Agreement.

Section 5.09. ***Notice*****.**

(a) In addition to, and not in limitation of, the other provisions of this Agreement, Vertex shall provide the Purchaser with written notice as promptly as practicable (and in any event within five (5) Business Days) after becoming aware of any of the following:

(1) the occurrence of a Bankruptcy Event;

(2) any material breach or default by Vertex of any covenant, agreement or other provision of this Agreement or any other Transaction Document; or

(3) any representation or warranty made by Vertex in any of the Transaction Documents or in any certificate delivered to the Purchaser pursuant hereto shall prove to be untrue, inaccurate or incomplete in any respect on the date as of which made.

(b) Vertex shall notify the Purchaser in writing not less than 30 days prior to any change in, or amendment or alteration of, Vertex's (i) legal name; (ii) form or type of organization or corporate structure; or (iii) jurisdiction of organization.

Section 5.10. ***Sale of HIV Protease Inhibitor*****.**

In the event Vertex consummates or concludes a Permitted Amendment as contemplated in clause (ii) of the definition of such term, then from the date of such Permitted Amendment until May 28, 2013, Vertex covenants and agrees that neither it, nor any of its Subsidiaries or licensees, shall make a commercial sale in the Territory, as defined in the License Agreement, of any HIV protease inhibitor that incorporates any product or intellectual property that is excluded from the coverage of the License Agreement pursuant to such Permitted Amendment.

ARTICLE VI
THE CLOSING; CONDITIONS TO CLOSING

Section 6.01. ***Closing*****.**

Subject to the closing conditions set forth in Sections 6.02 and 6.03, the closing of the transactions contemplated hereby (the "*Closing*") shall take place on May 30, 2008, or such other date as the parties shall mutually agree (the "*Closing Date*") at the offices of Pillsbury Winthrop Shaw Pittman LLP located at 1540 Broadway, New York, NY 10036, or such other place as the parties mutually agree.

Section 6.02. ***Conditions Applicable to the Purchaser in Closing*.**

The obligations of the Purchaser to effect the Closing, including the requirement to pay the Purchase Price pursuant to Section 2.03, shall be subject to the satisfaction of each of the following conditions, on the Closing Date, any of which may be waived by the Purchaser in its sole discretion:

(a) *Accuracy of Representations and Warranties.* The representations and warranties of Vertex set forth in the Transaction Documents that are qualified as to materiality or by Material Adverse Effect shall be true, correct and complete, and those representations and warranties of Vertex not so qualified shall be true, correct and complete in all material respects, in each case as of the date hereof and as of the Closing Date.

(b) *No Adverse Circumstances.* There shall not have occurred any change, effect, event, occurrence, state of facts, development or condition that has had or could reasonably be expected to have, individually or in the aggregate, a Material Adverse Effect.

(c) *Litigation.* No action, suit, litigation, proceeding or investigation shall have been instituted, be pending or, to the Knowledge of Vertex, threatened (i) challenging or seeking to make illegal, to delay or otherwise directly or indirectly to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain damages in connection with the transactions contemplated by this Agreement, or (ii) seeking to restrain or prohibit the Purchaser's purchase, acquisition and acceptance or future receipt of any or all of the Purchased Interest.

(d) *Bill of Sale and Receipt.* A Bill of Sale in the form set forth in ***Exhibit A***, and a receipt in respect of that Bill of Sale in a form reasonably acceptable to the Purchaser, shall have been executed and delivered by Vertex to the Purchaser, and the Purchaser shall have received the same.

(e) *Legal Opinion.* The Purchaser shall have received the opinion of Dewey & LeBoeuf LLP, transaction counsel to Vertex, in form and substance satisfactory to the Purchaser and its counsel to the effect set forth in ***Exhibit B***.

(f) *Corporate Documents of Vertex.* The Purchaser shall have received certificates of an executive officer of Vertex (the statement made in which shall be true and correct on and as of the Closing Date): (i) attaching copies, certified by such officer as true and complete, of resolutions of the board of directors of Vertex authorizing and approving the execution, delivery and performance by Vertex of the Transaction Documents and the transactions contemplated herein and therein; (ii) setting forth the incumbency of the officer or officers of Vertex who have executed and delivered the Transaction Documents including therein a signature specimen of each officer or officers; and (iii) attaching copies, certified by such officer as true and complete, of long form good standing certificates of the appropriate Governmental Authority of Vertex's jurisdiction of incorporation, stating that Vertex is in good standing under the laws of such jurisdiction.

(g) *Covenants.* Vertex shall have complied in all material respects with its covenants set forth in the Transaction Documents.

(h) *GSK Direction and GSK/Pfizer Instruction.* Copies of (x) the irrevocable direction to GSK to pay the Royalties evidenced by the Purchased Interest directly to the Purchaser Account in the form set forth in ***Exhibit C*** (the "*GSK Direction*") and (y) the irrevocable standing instruction to GSK under paragraph five of the Side Agreement to pay all amounts required to be paid under the Pfizer Agreement directly to Pfizer in the form set forth in ***Exhibit D*** (the "*GSK/Pfizer Instruction*") shall have been signed and delivered by Vertex to the Purchaser, and the Purchaser shall have received the same.

(i) *Other Documents and Financing Statements.* The Purchaser shall have received such other certificates, documents and financing statements as the Purchaser may reasonably request,

including a financing statement satisfactory to the Purchaser to create, evidence and perfect the sale of the Purchased Interest pursuant to Section 2.01(c) and the back-up security interest granted pursuant to Section 2.01(d).

Section 6.03. ***Conditions Applicable to Vertex in Closing*****.**

The obligations of Vertex to effect the Closing shall be subject to the satisfaction of each of the following conditions, on the Closing Date, any of which may be waived by Vertex in its sole discretion:

(a) *Accuracy of Representations and Warranties.* The representations and warranties of the Purchaser set forth in the Transaction Documents that are qualified as to materiality shall be true, correct and complete, and those representations and warranties of the Purchaser not so qualified shall be true, correct and complete in all material respects, in each case as of the date hereof and as of the Closing Date.

(b) *Litigation.* No action, suit, litigation, proceeding or investigation shall have been instituted, be pending or, to the knowledge of the Purchaser, threatened (i) challenging or seeking to make illegal, to delay or otherwise directly or indirectly to restrain or prohibit the consummation of the transactions contemplated by this Agreement, or seeking to obtain damages in connection with the transactions contemplated by this Agreement, or (ii) seeking to restrain or prohibit the Purchaser's purchase, acquisition and acceptance or future receipt of any or all of the Purchased Interest.

(c) *Covenants.* The Purchaser shall have complied in all material respects with its covenants set forth in the Transaction Documents.

(d) *Purchase Price*. Vertex shall have received payment of the Purchase Price in accordance with Section 2.03.

ARTICLE VII
TERMINATION

Section 7.01. ***Termination Date*****.**

After the Closing, this Agreement shall terminate on the later of (i) the date on which Purchaser's right to receive Royalties pursuant to the License Agreement shall have terminated; (ii) the 60th day after the date, if any, on which the Purchaser would be required to deliver a Termination Notice pursuant to Section 5.07(a); and (iii) if a New Arrangement is entered into by Vertex, the date on which such New Arrangement expires or is terminated in accordance with its terms.

Section 7.02. ***Effect of Termination*****.**

In the event of the termination of this Agreement pursuant to Section 7.01, this Agreement shall become void and of no further force and effect, except for those rights and obligations that have accrued prior to the date of such termination or relate to any period prior thereto, including the payment in accordance with the terms hereof of any Royalty relating to the period commencing on the Royalties Commencement Date and ending on the date of such termination. Notwithstanding the foregoing, Articles VII and VIII and Sections 5.02, 5.04(b), 5.05 (with respect to any Royalty relating to any period prior to the date of such termination), 5.06 (with respect to the period commencing on the Royalties Commencement Date and ending on the date of such termination), 5.07 and 5.08 (to the extent then available pursuant to the License Agreement), shall survive such termination and there shall be no liability on the part of any party hereto, any of its Affiliates or controlling Persons or any of their respective officers, directors, shareholders, members, controlling persons, managers, agents or employees, other than as set forth in this Section 7.02, Section 5.02 and Article VIII, each of which shall survive any termination as set forth in Section 8.01. Nothing contained in this Section 7.02 shall relieve any party from liability for any breach of this Agreement that occurs prior to such termination.

ARTICLE VIII
MISCELLANEOUS

Section 8.01. ***Survival*.**

All representations and warranties made herein and in any other Transaction Document or any certificates delivered pursuant to this Agreement shall survive the execution and delivery of this Agreement and the Closing and shall continue to survive until the date that is three (3) years after the Closing Date; *provided*, *however*, that the representations and warranties contained in Sections 3.01, 3.02, 3.04, 3.08, 3.09, 3.10, 3.11, 3.12, 3.13 and 3.14 shall survive until the date that is six (6) months after the termination of this Agreement; *provided*, *further*, *however*, that it is understood and agreed that, notwithstanding the survival provisions of this Section 8.01, all of the representations and warranties made by the parties are made only as of the date of this Agreement and the Closing Date as provided in Articles III and IV and Sections 6.02 and 6.03. The obligations of (i) Vertex to indemnify and hold harmless any Purchaser Indemnified Party under Section 8.05 and (ii) the Purchaser to indemnify and hold harmless any Vertex Indemnified Party under Section 8.05, in each case shall terminate (i) when the applicable representation or warranty terminates pursuant to this Section 8.01, with respect to claims made pursuant to Sections 8.05(a)(i) and 8.05(b)(i), as applicable, (ii) ninety (90) days after the date on which the rights and obligations of Vertex or the Purchaser, as the case may be, under a particular covenant or agreement contained in this Agreement are terminated or expire pursuant to the terms hereof, with respect to claims made under Section 8.05(a)(ii) or 8.05(b)(ii), as the case may be, (iii) 60 days after the expiration of the applicable statute of limitations (or waivers or extensions thereof), with respect to claims made pursuant to Section 8.05(a)(iii), 8.05(a)(iv) and 8.05(b)(iii); *provided*, *however*, that, in each case, such obligations to indemnify and hold harmless shall not terminate with respect to any item as to which a Purchaser Indemnified Party or a Vertex Indemnified Party shall have, before the expiration of the applicable period, previously notified the indemnifying party pursuant to Section 8.05.

Section 8.02. ***Specific Performance*.**

Each of the parties hereto acknowledges that the other party will have no adequate remedy at law if it fails to perform any of its obligations under any of the Transaction Documents. In such event, each of the parties agrees that the other party shall have the right, in addition to any other rights it may have (whether at law or in equity), to specific performance of this Agreement.

Section 8.03. ***Notices*.**

All notices, consents, waivers and communications hereunder given by any party to the other shall be in writing, signed by the party giving such notice, and shall be deemed to have been duly given when (i) delivered by hand; (ii) sent by facsimile (with written confirmation of receipt) if sent during regular business hours on a Business Day (and, if not, then on the next succeeding Business Day), provided that a copy is mailed by registered mail, return receipt requested; (iii) received by the addressee, if sent by nationally recognized overnight delivery service (receipt requested); or (iv) sent by e-mail if sent during regular business hours on a Business Day (and, if not, then on the next succeeding Business Day), provided that a copy is mailed by registered mail, return receipt requested (provided, however, that delivery will not be deemed effective unless the addressee provides written confirmation of receipt by facsimile or return e-mail (automatic e-mail responses do not constitute confirmation), in each case, to the applicable addresses, facsimile numbers and/or e-mail addresses set forth below:

If to the Purchaser to:

Fosamprenavir Royalty, L.P.
c/o Richards, Layton & Finger, P.A.
One Rodney Square
920 North King Street
Wilmington, DE 19801
Attention: William J. Haubert
Facsimile: (302) 498-7559
E-mail: haubert@rlf.com

with a copy (which shall not constitute notice) to:

Fosam Investors, L.P.
c/o Cowen Healthcare Royalty Partners, L.P.
177 Broad Street, Suite 1101
Stamford, CT 06901
Attention: Clarke B. Futch
Facsimile No: (646) 562-1293
E-mail: clarke.futch@cowen.com

with a copy (which shall not constitute notice) to:

Cahill Gordon & Reindel LLP
80 Pine Street
New York, New York 10005
Attention: Christopher T. Cox
Facsimile No.: (212) 269-5420
E-mail: ccox@cahill.com

with a copy (which shall not constitute notice) to:

U.S. Bank National Association
One Federal Street, 3rd Floor
Boston, MA 02110
Attention: Corporate Trust Services (Fosamprenavir Royalty, L.P.).
Facsimile No.: (617) 603-6683

If to Vertex to:

Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139
Attention: Kerry K. Reinertsen, Ph.D.
Vice President, Business and Corporate Development
Facsimile No.: (617) 444-6632
E-Mail: kerry_reinertsen@vrtx.com

with a copy (which shall not constitute notice) to:

Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139
Attention: Kenneth S. Boger, Esq.
Senior Vice President and General Counsel
Facsimile No.: (617) 444-7117
E-Mail: ken_boger@vrtx.com

or to such other address or addresses, facsimile number or numbers or e-mail address or addresses as the Purchaser or Vertex may from time to time designate by notice as provided herein, except that notices of such changes shall be effective only upon receipt.

Section 8.04. ***Successors and Assigns*****.**

The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. Vertex shall not be entitled to assign any of its obligations and rights under any of the Transaction Documents, the License Agreement, the Pfizer Agreement or the Side Letter without the prior written consent of the Purchaser; *provided*, *however*, that Vertex may, without the consent of the Purchaser, assign any of its obligations or rights under the Transaction Documents, the License Agreement, the Pfizer Agreement or the Side Letter to any other Person with which it may merge or consolidate or to which it may sell all or substantially all of its assets or all of its assets related to the Products, *provided* that the assignee under such assignment agrees to be bound by the terms of the Transaction Documents, the License Agreement, the Pfizer Agreement or the Side Letter, as applicable, and furnish a written agreement to the Purchaser in form and substance reasonably satisfactory to the Purchaser to that effect. The Purchaser may assign any of its obligations and rights hereunder, without restriction and without the consent of Vertex. The Purchaser shall give notice of any such assignment to Vertex after the occurrence thereof. Vertex shall be under no obligation to reaffirm any representations, warranties or covenants made in this Agreement or any of the other Transaction Documents or take any other action in connection with any such assignment by the Purchaser.

Section 8.05. ***Indemnification*****.**

(a) Vertex hereby indemnifies and holds each of the Purchaser and its Affiliates and any and all of their respective partners, directors, managers, members, officers, employees, agents and controlling Persons (each, a "*Purchaser Indemnified Party*") harmless from and against, and will pay to each Purchaser Indemnified Party the amount of, any and all Losses incurred or suffered by such Purchaser Indemnified Party arising out of: (i) any breach of any representation, warranty or certification made by Vertex in any of the Transaction Documents or certificates given by Vertex in writing pursuant hereto or thereto, (ii) any breach of or default under any covenant or agreement by Vertex pursuant to any Transaction Document or the License Agreement, (iii) any Excluded Liabilities and Obligations, and (iv) any fees, expenses, costs, liabilities or other amounts incurred or owed by Vertex to any brokers, financial advisors or comparable other Persons retained or employed by it in connection with the transactions contemplated by this Agreement. Any amounts due to any Purchaser Indemnified Party hereunder shall be payable by Vertex to such Purchaser Indemnified Party promptly upon demand.

(b) The Purchaser hereby indemnifies and holds each of Vertex and its Affiliates and any and all of their respective partners, directors, managers, members, officers, employees and agents (each, a "*Vertex Indemnified Party*") harmless from and against, and will pay to each Vertex Indemnified Party the amount of, any and all Losses incurred or suffered by such Vertex Indemnified Party arising out of: (i) any breach of any representation, warranty or certification made by the Purchaser in any of the Transaction Documents or certificates given by the Purchaser in writing pursuant hereto or thereto, (ii) any breach of or default under any covenant or agreement by the Purchaser pursuant to any Transaction Document and (iii) any fees, expenses, costs, liabilities or other amounts incurred or owed by the Purchaser to any brokers, financial advisors or comparable other Persons retained or employed by it in connection with the transactions contemplated by this Agreement. Any amounts due to any Vertex Indemnified Party hereunder shall be payable by the Purchaser to such Vertex Indemnified Party upon demand.

(c) If any claim, demand, action, or proceeding (including any investigation by any Governmental Authority) shall be brought or alleged against an indemnified party in respect of which indemnity is to be sought against an indemnifying party pursuant to the preceding paragraphs, the indemnified party shall, promptly after receipt of notice of the commencement of any such claim, demand, action or proceeding, notify the indemnifying party in writing of the commencement of such claim, demand, action or proceeding, enclosing a copy of all papers served, if any; *provided* that, the omission to so notify such indemnifying party will not relieve the indemnifying party from any liability that it may have to any indemnified party under the foregoing provisions of this Section 8.05 unless, and only to the extent that, such omission results in the forfeiture of, or have a material adverse effect on the exercise or prosecution of, substantive rights or defenses by the indemnifying party. In case any such action is brought against an indemnified party and it notifies the indemnifying party of the commencement thereof, the indemnifying party will be entitled, at the indemnifying party's sole cost and expense, to participate therein and, to the extent that it may wish, to assume the defense thereof, with counsel reasonably satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party will not be liable to such indemnified party under this Section 8.05 for any legal or other expenses subsequently incurred by such indemnified party in connection with the defense thereof other than reasonable costs of investigation. In any such proceeding, an indemnified party shall have the right to retain its own counsel, but the reasonable fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the indemnifying party has assumed the defense of such proceeding and has failed within a reasonable time to retain counsel reasonably satisfactory to such indemnified party or (iii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential conflicts of interests between them based on the advice of counsel to the indemnifying party. It is agreed that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable for the reasonable fees and expenses of more than one separate law firm (in addition to local counsel where necessary) for all such indemnified parties. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any Loss by reason of such settlement or judgment. No indemnifying party shall, without the prior written consent of the indemnified party, effect any settlement, compromise or discharge of any claim or pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement, compromise or discharge, as the case may be, (i) includes an unconditional written release of such indemnified party, in form and substance reasonably satisfactory to the indemnified party, from all liability on claims that are the subject matter of such claim or proceeding, (ii) does not include any statement as to an admission of fault, culpability or failure to act by or on behalf of any indemnified party and (iii) does not impose any continuing material obligation or restrictions on any indemnified party.

(d) Except in the case of fraud or intentional breach, following Closing, the indemnification afforded by this Section 8.05 shall be the sole and exclusive remedy for any and all Losses sustained or incurred by a party hereto in connection with the transactions contemplated by the Transaction Documents, including with respect to any breach of any representation, warranty or certification made by a party hereto in any of the Transaction Documents or certificates given by a party in writing pursuant hereto or thereto or any breach of or default under any covenant or

agreement by a party pursuant to any Transaction Document. Notwithstanding anything in this Agreement to the contrary, (i) in the event of any breach or failure in performance of any covenant or agreement contained in any Transaction Document, the non-breaching party shall be entitled to specific performance, injunctive or other equitable relief pursuant to Section 8.02 hereof; and (ii) in no event shall Losses include consequential damages; *provided*, *however*, that any indemnified party shall be entitled to recover for profits lost or otherwise not realized following the Royalties Commencement Date with respect to the Purchased Interest solely to the extent that such profits are reasonably foreseeable in connection with the breach, default or violation that is the subject of the indemnification claim. For clarity, neither party shall have any right to terminate this Agreement or any other Transaction Document after the Closing as a result of any breach by the other party hereof or thereof, but instead shall have the rights set forth in this Section 8.05 and Section 8.02.

Section 8.06. ***Independent Nature of Relationship*.**

(a) The relationship between Vertex and the Purchaser is solely that of seller and purchaser, and neither the Purchaser nor Vertex has any fiduciary or other special relationship with the other or any of their respective Affiliates. Nothing contained herein or in any other Transaction Document shall be deemed to constitute Vertex and the Purchaser as a partnership, an association, a joint venture or other kind of entity or legal form.

(b) No officer or employee of the Purchaser will be located at the premises of Vertex or any of its Affiliates.

(c) None of Vertex and/or any of its Affiliates shall at any time obligate the Purchaser, or impose on the Purchaser any obligation, in any manner or with respect to any Person not a party hereto.

Section 8.07. ***Tax*.**

(a) Notwithstanding the accounting treatment thereof, for United States federal, state and local tax purposes, Vertex and the Purchaser shall treat the transactions contemplated by the Transaction Documents as a sale for United States federal, state and local tax purposes.

(b) All payments to the Purchaser under this Agreement shall be made without any deduction or withholding for or on account of any tax payable by Vertex, provided that if deduction or withholding of any tax is required from any such payment under this Agreement or from any payment under the License Agreement by reason of Vertex's being a party to the License Agreement, the sum payable shall be increased and paid by Vertex as necessary so that after making all required deductions and withholdings, the Purchaser receives an amount equal to the amount that it would have received had no such deductions or withholdings been made.

(c) The parties hereto agree not to take any position that is inconsistent with the provisions of this Section 8.07 on any tax return or in any audit or other administrative or judicial proceeding unless (i) the other party to this Agreement has consented to such actions, or (ii) the party that contemplates taking such an inconsistent position has been advised by nationally recognized tax counsel in writing that there is no "reasonable basis" (within the meaning of Treasury Regulation Section 1.6662-3(b)(3)) for the position specified in this Section 8.07. If there is an inquiry by any Governmental Authority of Vertex or the Purchaser related to this Section 8.07, the parties shall cooperate with each other in responding to such inquiry in a reasonable manner consistent with this Section 8.07.

Section 8.08. ***Entire Agreement.***

This Agreement, together with the Exhibits and Schedules hereto (which are incorporated herein by reference), and the other Transaction Documents constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior agreements, understandings and negotiations, both written and oral, between the parties with respect to the subject matter of this Agreement. No representation, inducement, promise, understanding, condition or warranty not set forth herein (or in the Exhibits, Schedules or other Transaction Documents) has been made or relied upon by either party hereto. Neither this Agreement, nor any provision hereof, is intended to confer upon any Person other than the parties hereto any rights or remedies hereunder.

Section 8.09. ***Governing Law.***

(a) This Agreement shall be construed in accordance with and governed by the laws of the State of New York, without giving effect to the principles of conflicts of law thereof.

(b) Each of the parties hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State court or, to the extent permitted by law, in such Federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

(c) Each of the parties hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 8.03. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 8.10. ***Waiver of Jury Trial.***

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF THE OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT THE OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTY HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

Section 8.11. ***Severability*****.**

If one or more provisions of this Agreement are held to be invalid or unenforceable by a court of competent jurisdiction, such provision shall be excluded from this Agreement and the balance of the Agreement shall be interpreted as if such provision were so excluded and shall remain in full force and effect be enforceable in accordance with its terms. Any provision of this Agreement held invalid or unenforceable only in part or degree by a court of competent jurisdiction shall remain in full force and effect to the extent not held invalid or unenforceable.

Section 8.12. ***Counterparts; Effectiveness*****.**

This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received a counterpart hereof signed by the other party hereto. Any counterpart may be executed by facsimile signature and such facsimile signature shall be deemed an original.

Section 8.13. ***Amendments; No Waivers*****.**

(a) Neither this Agreement nor any term or provision hereof may be amended, changed or modified except with the written consent of the parties hereto. No waiver of any right hereunder shall be effective unless such waiver is signed in writing by the party against whom such waiver is sought to be enforced.

(b) No failure or delay by either party in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided shall be cumulative and not exclusive of any rights or remedies provided by law.

Section 8.14. ***Interpretation*****.**

(a) Except as otherwise provided or unless the context otherwise requires, whenever used in this Agreement, (i) any noun or pronoun shall be deemed to include the plural and the singular; (ii) the use of masculine pronouns shall include the feminine and neuter, (iii) the terms "include" and "including" shall be deemed to be followed by the phrase "without limitation"; (iv) the word "or" shall be inclusive and not exclusive; (v) all references to Sections refer to the Sections of this Agreement, all references to Schedule refer to the Schedule attached hereto or delivered with this Agreement, as appropriate, and all references to Exhibits refer to the Exhibits attached to this Agreement, each of which is made a part of this Agreement for all purposes; and (vi) each reference to "herein" means a reference to "in this Agreement".

(b) The provisions of this Agreement shall be construed according to their fair meaning and neither for nor against any party hereto irrespective of which party caused such provisions to be drafted. Each of the parties hereto acknowledges that it has been represented by an attorney in connection with the preparation and execution of this Agreement.

(c) Unless expressly provided otherwise, the measure of a period of one month or one year for purposes of this Agreement shall be that date of the following month or year corresponding to the starting date, provided that if no corresponding date exists, the measure shall be that date of the following month or year corresponding to the next day following the starting date. For example, one month following February 18th is March 18th, and one month following March 31 is May 1.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the date first above written.

VERTEX PHARMACEUTICALS INCORPORATED

By: /s/ Ian F. Smith

Name: Ian F. Smith
Title: Executive Vice President and Chief Financial Officer

FOSAMPRENAVIR ROYALTY, L.P.

By: Fosamprenavir Royalty GP, L.L.C.,
as its general partner

By: Cowen Healthcare Royalty GP, LLC,
as its sole member

By: /s/ Clarke B. Futch

Name: Clarke B. Futch
Title: Authorized Signatory

QuickLinks

Exhibit 10.3

EMPLOYMENT AGREEMENT

AGREEMENT, made and entered into as of June 18, 2008 by and between Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (together with its successors and assigns, the "*Company*"), and Freda Lewis-Hall (the "*Executive*").

WITNESSETH

WHEREAS, the Company has offered to employ the Executive as the Executive Vice President, Medicines Development;

WHEREAS, the Company and the Executive desire to enter into an employment agreement, which shall set forth the terms of such employment (this "*Agreement*"); and

WHEREAS, the Executive desires to enter into this Agreement and to accept such employment, subject to the terms and provisions of this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein and for other good and valuable consideration, the receipt of which mutually is acknowledged, the Company and the Executive (each individually a "*Party*", and together the "*Parties*") agree as follows:

1. DEFINITIONS.

"*Base Salary*" shall mean the Executive's base salary in accordance with Section 4 below.

"*Board*" shall mean the Board of Directors of the Company.

"*Cause*" shall mean:

(i) the Executive is convicted of a crime involving moral turpitude;

(ii) the Executive's willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom the Executive reports, provided that the Company shall have given the Executive prior written notice of the directive(s) or instruction(s) that the Executive failed to follow, and *provided, further*, that the Company shall have given the Executive, in good faith, 30 days to correct such failure and further provided that if the Executive corrects such failure, any termination of the Executive's employment on account of such failure shall not be treated for purposes of this Agreement as a termination of employment for "Cause;"

(iii) the Executive violates any of the Company's policies made known to the Executive regarding confidentiality, securities trading or insider information; or

(iv) the Executive, in carrying out the Executive's duties, commits (A) willful gross negligence or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Executive, in good faith, to be in the best interests of the Company.

"*Change of Control*" shall have the meaning set forth in the Change of Control Agreement.

"*Change of Control Agreement*" shall mean the Change of Control letter agreement between the Company and the Executive of even date herewith.

"*Code*" shall mean the Internal Revenue Code of 1986, as amended.

"*Common Stock*" shall mean the common stock of the Company.

"*Disability*" or "*Disabled*" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Section 22(e)(3) of the Code.

"*Effective Date*" shall mean June 18, 2008.

"*Good Reason*" shall mean that, without the Executive's consent, one or more of the following events occurs, and the Executive, at the Executive's own initiative provides notice of termination within 30 days after such event:

(i) the Executive's Base Salary is decreased or the target levels under the Company's target bonus program, or equity compensation program are reduced, unless each or any such reduction is part of an across-the-board proportionate reduction in the salaries, target bonuses, or target equity compensation, as applicable, provided, however, that it is expressly understood that payments or awards under any such program in amounts lower than the target amounts in accordance with any such program shall not constitute "Good Reason;"

(ii) the office to which the Executive is assigned is relocated to a place 35 or more miles away and such relocation is not at the Executive's request or with the Executive's prior agreement (and other than, for Executives assigned to the Company's principal executive offices, in connection with a change in location of the Company's principal executive offices); or

(iii) the Executive's duties are materially diminished to an extent that results in either (A) the Executive no longer being an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934; or (B) the Executive ceases to be a member of the executive management team of the Company.

"*Severance Payment*" shall mean an amount equal to the sum of the Base Salary in effect on the date of termination of Executive's employment, plus the amount of the Target Bonus for the Executive for the year in which the Executive's employment is terminated; provided, however, that if the Executive terminates the Executive's employment for Good Reason based on a reduction in Base Salary, then the Base Salary to be used in calculating the Severance Payment shall be the Base Salary in effect immediately prior to such reduction in Base Salary.

"*Target Bonus*" shall mean the target cash bonus for which the Executive is eligible on an annual basis, at a level consistent with the Executive's title and responsibilities, under the Company's bonus program then in effect and applicable to the Company's senior executives generally.

2. TERM OF EMPLOYMENT.

The Company hereby employs the Executive, and the Executive hereby accepts such employment, commencing on the Effective Date and continuing until termination in accordance with the terms of this Agreement. The period during which the Executive is employed hereunder is referred to in this Agreement as the "*term of employment.*"

3. POSITION, DUTIES AND RESPONSIBILITIES.

On the Effective Date, the Executive shall be employed as Executive Vice President, Medicines Development.

4. BASE SALARY.

The Executive's initial annualized Base Salary shall be $450,000, payable in accordance with the regular payroll practices of the Company. The Base Salary shall be reviewed no less frequently than annually, and any changes thereto (which shall thereafter be deemed the Executive's Base Salary) shall be solely within the discretion of the Board.

5. TARGET BONUS/INCENTIVE COMPENSATION PROGRAM.

(a) **Target Bonus Program:** The Executive shall participate in the Company's Target Bonus program (and other cash incentive compensation programs) applicable to the Company's senior executives, as any such programs are established and modified from time to time by the Board in its sole discretion, and in accordance with the terms of such program.

(b) **Sign-On Cash Bonus:** The Executive shall receive a sign-on cash bonus in the amount of $250,000 payable (with appropriate deductions as required by law) to the Executive at the first regular pay date applicable to the Executive after the Effective Date. If the Executive terminates this Agreement without Good Reason, and other than as a result of death or Disability, during the period commencing on the Effective Date and ending on the first anniversary of the Effective Date, the Executive shall repay the sign-on cash bonus to the Company within 30 days of such termination.

(c) **Sign-On Stock Option Grant:** The Executive shall be granted a stock option under the Company's 2006 Stock and Option Plan (the "*Stock Plan*"), to purchase 100,000 shares of the Company's common stock at a price equal to the Fair Market Value of Vertex's shares, as defined in the Stock Plan, on the Effective Date. The option will vest and become exercisable as to equal numbers of shares of stock quarterly in arrears over the four year period commencing on the Effective Date, and as otherwise specified herein and in the Stock Plan, and shall be subject to the other terms and conditions specified in a separate grant agreement.

(d) **Sign-On Restricted Stock Grants:**

(i) The Executive will purchase, in accordance with the terms of a Restricted Stock Agreement executed and delivered to the Company by the Executive on the Effective Date (the "*Grant Date*"), 35,000 shares of the Company's Common Stock, at a purchase price per share of $0.01. The Company will retain the right to repurchase these shares at $0.01 per share purchase price should the Executive experience a termination of employment, as such term is used in the Stock Plan, but this repurchase right will lapse as to one quarter of the total number of shares on each of the first four anniversaries of the Grant Date, and as otherwise specified herein (including in Section 10(c)(v)) and in the Stock Plan, and shall be subject to the other terms and conditions specified in a separate grant agreement.

(ii) The Executive will purchase, in accordance with the terms of a Restricted Stock Agreement executed and delivered to the Company on the Grant Date, 10,000 shares of the Company's Common Stock, at a purchase price per share of $0.01. The Company will retain the right to repurchase these shares at a purchase price of $0.01 per share, should the Executive experience a termination of employment, as such term is used in the Stock Plan, but this repurchase right shall lapse as to equal number of shares of stock quarterly in arrears over the two (2) year period commencing on the Grant Date, and as otherwise specified herein and in the Stock Plan (including in Section 10(c)(v)) and shall be subject to the other terms and conditions specified in a separate grant agreement.

6. INCENTIVE COMPENSATION PROGRAMS.

During the term of employment, the Executive shall be eligible to participate in the Company's incentive compensation programs applicable to the Company's senior executives, as such programs may be established and modified from time to time by the Board in its sole discretion.

7. EMPLOYEE BENEFIT PROGRAMS.

During the term of employment, the Executive shall be entitled to participate in all employee welfare and pension benefit plans, programs and/or arrangements offered by the Company to its senior executives, as such plans, programs and arrangements may be amended from time to time, to the same extent and on the same terms applicable to other senior executives. *Exhibit A* to this Agreement lists and describes the Company's employee benefit plans as in effect on the date of this Agreement. Nothing in this section shall preclude the Company from amending or terminating any of its employee benefit plans, programs or arrangements.

8. VACATION.

During the term of employment, the Executive shall be entitled to not less than four weeks paid vacation days each calendar year in accordance with the Company's vacation policy then in effect.

9. RELOCATION REIMBURSEMENT.

The Executive will be reimbursed for relocation costs in accordance with the Company's relocation reimbursement policy currently in effect, except that the Executive shall be eligible for reimbursement of temporary living expenses for a period not to exceed six (6) months.

10. TERMINATION OF EMPLOYMENT.

(a) **Termination in Connection with a Change of Control.** To the extent the Executive is entitled, in connection with the Executive's termination of employment, to severance or other benefits under the Change of Control Agreement, the Executive shall not be entitled to corresponding benefits under this Section 10.

(b) **Termination by the Company for Cause; or Termination by the Executive without Good Reason.** If the Company terminates the Executive's employment for Cause, or if the Executive voluntarily terminates the Executive's employment, other than for Good Reason, death or Disability, the term of employment shall end as of the date specified below, and the Executive shall be entitled to the following:

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 10(b); and

(ii) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 6, 7, or 8 above.

Termination by Company for Cause shall be effective as of the date noticed by the Company. Voluntary termination by Executive other than for Good Reason, death or Disability shall be effective upon 90 days' prior written notice to the Company and shall not be deemed a breach of this Agreement.

If the Executive voluntarily terminates his or her employment without Good Reason, the Company may elect to waive the period of notice, or any portion thereof, and, if the Company so elects, the Company will pay the Executive at the rate of the Executive's Base Salary for the notice period or for any remaining portion thereof.

(c) **Termination by the Company Without Cause; or Termination by the Executive for Good Reason.** If the Executive's employment is terminated by the Company without Cause (other than due to death or Disability), or is terminated by the Executive for Good Reason, the Executive shall be entitled to the following (provided that, with respect to (iii), (v) and (vi) such amounts shall be subject to and in exchange for a general release by Executive of all claims against the Company, its subsidiaries, and their officers, directors, agents and representatives):

(i) Base Salary earned by Executive but not paid through the date of termination of Executive's employment under this Section 10(c);

(ii) all incentive compensation awards earned by Executive but not paid prior to the date of termination of Executive's employment under this Section 10(c);

(iii) a cash payment to the Executive in an amount equal to the Severance Payment, payable within ten days after the execution of a general release and expiration without revocation of any applicable revocation periods under the general release;

(iv) any amounts earned, accrued or owing to the Executive but not yet paid under Sections 6, 7 or 8 above;

(v) the Company's lapsing repurchase right with respect to the shares of common stock purchased by the Executive pursuant to Section 5(d) of this Agreement shall lapse in full;

(vi) if COBRA coverage is elected by the Executive, the Company shall pay the cost of COBRA continuation premiums on the Executive's behalf to continue standard medical, dental and life insurance coverage for the Executive (or the cash equivalent of the same if the Executive is ineligible for continued coverage) until the earlier of:

(A) the date 12 months after the date the Executive's employment is terminated; or

(B) the date, or dates, on which the Executive receives equivalent coverage and benefits under the plans, programs and/or arrangements of a subsequent employer (such coverage and benefits to be determined on a coverage-by-coverage or benefit-by-benefit basis).

If Executive is a "specified employee" under Section 409A(a)(2)(B)(i) of the Code, any payment of "nonqualified deferred compensation" (as defined under Section 409A of the Code and related guidance) attributable to a "separation from service" (as defined under Section 409A of the Code and related guidance) shall not commence until the first full business day that is more than 6 months after the applicable separation from service ("*Deferred Payment Date*"). Any payments that would otherwise have been made between the separation from service and the Deferred Payment Date, but for this paragraph, shall be made in a lump sum on the Deferred Payment Date. Payments that, in any case, are scheduled to be made after the Deferred Payment Date shall continue according to the applicable payment schedule. To the extent that the termination of the Executive's employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that reasonably are anticipated to be provided by the Executive to the Company at the time the Executive's employment is terminated), the payment of any nonqualified deferred compensation will be further delayed until the date that is the first full business day that is more than six months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

11. CONFIDENTIALITY; ASSIGNMENT OF RIGHTS, NONCOMPETITION; NONSOLICITATION.

On the Effective Date, the Executive shall enter into the Company's standard "Employee Non-Disclosure, Non-Competition & Inventions Agreement," which is attached hereto as *Exhibit B*.

12. ASSIGNABILITY; BINDING NATURE.

This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, heirs (in the case of the Executive) and assigns. No rights or obligations of the Company under this Agreement may be assigned or transferred by the Company except that such rights or obligations may be assigned or transferred pursuant to a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company; *provided, however*, that the assignee or transferee is the successor to all or substantially all of the assets of the Company and such assignee or transferee assumes the liabilities, obligations and duties of the Company, as contained in this Agreement, either contractually or as a matter of law.

13. REPRESENTATIONS.

The Company represents and warrants that it is fully authorized and empowered to enter into this Agreement, and to make the awards provided for herein under the terms of the applicable plans, that all equity grants provided for herein have been duly authorized, and that the performance of its

obligations under this Agreement will not violate any agreement between it and any other person, firm or organization. The Executive represents and warrants that no agreement exists between him and any other person, firm or organization that would be violated by the performance of the Executive's obligations under this Agreement.

14. INDEMNIFICATION; INSURANCE.

The Executive shall at all times be indemnified and eligible for advancement of expenses on the same basis as is provided for the Company's other executive officers and in accordance with the provisions of the Company's charter and by-laws then in effect. The Executive shall also be covered under all of the Company's policies of liability insurance maintained for the benefit of its directors and officers on the same basis as is provided for its other executive officers.

15. ENTIRE AGREEMENT; TERMINATION.

This Agreement, and the agreements referenced herein, contain the entire understanding and agreement between the Parties concerning the subject matter hereof and supersedes all prior agreements, understandings, discussions, negotiations and undertakings, whether written or oral, between the Parties with respect thereto. Subject to the terms of this Agreement, the Company shall be entitled to terminate the Executive's employment at any time, and the Executive may terminate the Executive's employment by the Company, at any time, in each case by written notice provided in accordance with Section 22 of this Agreement.

16. AMENDMENT OR WAIVER.

No provision in this Agreement may be amended unless such amendment is agreed to in writing and signed by the Executive and an authorized officer of the Company. No waiver by either Party of any breach by the other Party of any condition or provision contained in this Agreement to be performed by such other Party shall be deemed a waiver of a similar or dissimilar condition or provision at the same or any prior or subsequent time. Any waiver must be in writing and signed by the Executive or an authorized officer of the Company, as the case may be.

17. SEVERABILITY.

If any provision or portion of this Agreement shall be determined to be invalid or unenforceable for any reason, in whole or in part, the remaining provisions of this Agreement shall be unaffected thereby and shall remain in full force and effect to the fullest extent permitted by law.

18. SURVIVORSHIP.

The respective rights and obligations of the Parties hereunder shall survive any termination of the Executive's employment to the extent necessary to the intended preservation of such rights and obligations.

19. BENEFICIARIES/REFERENCES.

The Executive shall be entitled, to the extent permitted under any applicable law, to select and change a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following the Executive's death by giving the Company written notice thereof. In the event of the Executive's death or a judicial determination of the Executive's incompetence, reference in this Agreement to the Executive shall be deemed, where appropriate, to refer to the Executive's beneficiary, estate or other legal representative.

20. GOVERNING LAW/JURISDICTION.

This Agreement shall be governed by and construed and interpreted in accordance with the laws of The Commonwealth of Massachusetts without reference to principles of conflict of laws.

21. RESOLUTION OF DISPUTES.

Any disputes arising under or in connection with this Agreement may, at the election of the Executive or the Company, be resolved by binding arbitration, to be held in Massachusetts in accordance with the Rules and Procedures of the American Arbitration Association. If arbitration is elected, the Executive and the Company shall mutually select the arbitrator. If the Executive and the Company cannot agree on the selection of an arbitrator, each Party shall select an arbitrator and the two arbitrators shall select a third arbitrator, and the three arbitrators shall form an arbitration panel that shall resolve the dispute by majority vote. Judgment upon the award rendered by the arbitrator or arbitrators may be entered in any court having jurisdiction thereof. Costs of the arbitrator or arbitrators and other similar costs in connection with an arbitration shall be shared equally by the Parties; all other costs, such as attorneys' fees incurred by each Party, shall be borne by the Party incurring such costs.

22. NOTICES.

All notices that are required or permitted hereunder shall be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, addressed as follows:

If to the Company:	Vertex Pharmaceuticals Incorporated 130 Waverly Street Cambridge, MA 02139-4242 Attn: Chief Executive Officer with copies to: the General Counsel; and the Senior Vice President of Human Resources
If to the Executive:	at the Executive's home address listed in the Company records.

Any such notice shall be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a business day; (b) on the business day after dispatch if sent by nationally-recognized overnight courier; and/or (c) on the fifth business day following the date of mailing if sent by mail.

23. HEADINGS.

The headings of the sections contained in this Agreement are for convenience only and shall not be deemed to control or affect the meaning or construction of any provision of this Agreement.

24. COUNTERPARTS.

This Agreement may be executed in two or more counterparts.

25. SECTION 409A COMPLIANCE.

It is the intention of the Company and the Executive that this Agreement and the payments provided for herein meet the requirements of Section 409A of the Code, to the extent applicable to this Agreement and such payments. The Company and the Executive agree to cooperate in good faith in preparing and executing, at such time as sufficient guidance is available under Section 409A and from time to time thereafter, such amendments to this Agreement, if any, as the Executive may reasonably request solely for the purpose of assuring that this Agreement and the payments provided hereunder meet the requirements of Section 409A. Nothing in this Section 25 shall require the Company to increase the Executive's compensation or make the Executive whole for any requested changes.

26. TAX WITHHOLDING; NO GUARANTEE OF ANY TAX CONSEQUENCES.

All payments hereunder shall be subject to all applicable withholding for any federal, state or local income taxes including any excise taxes under the Code. Notwithstanding any other provision of this Agreement to the contrary or other representation, the Company does not in any way guarantee the tax consequences of any payment or compensation under this Agreement including, without limitation, under Section 409A of the Code.

IN WITNESS WHEREOF, the undersigned have executed this Agreement as of the date first written above.

Vertex Pharmaceuticals Incorporated

/s/ Joshua S. Boger

Joshua S. Boger
President & Chief Executive Officer

Executive

/s/ Freda Lewis-Hall, M.D.

Freda Lewis-Hall, M.D.

QuickLinks

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Exhibit 10.4

June 18, 2008

Freda Lewis-Hall
281 Sayre Drive
Princeton, NJ 08540-5858

RE: *Change of Control Agreement*

Dear Freda:

You are a key member of the senior management team of Vertex Pharmaceuticals Incorporated (the "*Company*"). As a result, the Company would like to provide you with the following "change of control" benefits to help ensure that if the Company becomes involved in a "change of control" transaction, there will be no distraction from your attention to the needs of the Company.

I. *Definitions*. For the purposes of this agreement, capitalized terms shall have the following meanings:

1. "*Cause*" shall mean:

(a) your conviction of a crime involving moral turpitude;

(b) your willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom you report, *provided* that you receive prior written notice of the directive(s) or instruction(s) that you failed to follow, and *provided further* that the Company, in good faith, gives you 30 days to correct such failure and *further provided* that if you correct the failure(s), any termination of your employment on account of such failure shall not be treated for purposes of this Agreement as a termination of employment for "Cause";

(c) in carrying out your duties you commit (i) willful gross negligence, or (ii) willful gross misconduct, resulting in either case in material harm to the Company, *unless* such act, or failure to act, was believed by you, in good faith, to be in the best interests of the Company; or

(d) your violation of the Company's policies made known to you regarding confidentiality, securities trading or inside information.

2. "*Change of Control*" shall mean that:

(a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "*Act*"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than 50% of the combined voting power of the outstanding securities of the Company having the right to vote in the election of directors; or

(b) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, *other than* (i) a transaction solely for the purpose of reincorporating the Company or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying the Company's stock; or (ii) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

3. "*Code*" shall mean the Internal Revenue Code of 1986, as amended.

4. "*Disability*" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined Section 22(e)(3) of the Code.

5. "*Good Reason*" shall mean one of the following events has occurred without your consent:

(a) your annual base salary is decreased;

(b) the office to which you are assigned is relocated to a place 35 or more miles away; or

(c) following a Change of Control, the Company's successor fails to assume the Company's rights and obligations under both this Agreement and the Employment Agreement, of even date herewith, between you and the Company, as it may be amended from time to time (the "*Employment Agreement*").

6. "*Termination Date*" shall mean the last day of your employment with the Company.

II. *Severance Benefits upon Change of Control.* If:

(A) your employment is terminated by the Company (except for termination for Cause or due to a Disability) and the Termination Date is within 90 days prior to a Change of Control or within 12 months after a Change of Control; or

(B) you, of your own initiative, (i) terminate your employment for Good Reason and (ii) provide notice of termination within 30 days after the event that constitutes Good Reason and the event giving rise to the notice occurs within 90 days prior to a Change of Control or within 12 months after a Change of Control;

then, in exchange for a general release by you of all claims against the Company, its subsidiaries, and its and their officers, directors and representatives, in a form satisfactory to the Company, you shall receive the following benefits:

1. *Severance Payment.* The Company shall make a cash payment (the "*Severance Payment*") to you in an amount equal to:

(a) your annual base salary (provided, however, that if you terminate your employment for Good Reason based on a reduction in your annual base salary, then the annual base salary to be used in calculating the Severance Payment shall be your annual base salary in effect immediately prior to such reduction in annual base salary) plus your target bonus under any bonus program applicable to you for the year in which the Termination Date occurs; plus

(b) a pro rata portion of your target bonus for the portion of the year in which the Termination Date occurs under any bonus program applicable to you; plus

(c) all cash incentive compensation awards earned by you but not paid prior to the Termination Date; provided that, if a fiscal year has been completed and the incentive award for such fiscal year has not been determined, the incentive compensation for such completed fiscal year shall equal the target bonus for such fiscal year.

Except with respect to any portion of the Severance Payment that is delayed as set forth in this paragraph, the Severance Payment shall be made in cash within ten days after the execution by you of the general release referred to above and expiration without revocation of any applicable revocation periods under such general release (or, if the Change of Control resulting in your becoming entitled to such benefits occurs after such execution and expiration, within ten days after the Change of Control). The Severance Payment shall be divided into two portions, consisting of a portion that does not constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code and a portion, if any, that

does constitute nonqualified deferred compensation. If you are a "specified employee" as defined in Section 409A(a)(2)(B)(i) of the Code, the commencement of the delivery of any such payments that constitute nonqualified deferred compensation payable upon a "separation from service" under Section 409A(a)(2)(A)(i) of the Code will be delayed until the first business day that is more than six months after your Termination Date. The determination of whether, and the extent to which, any of the payments to be made to you hereunder are nonqualified deferred compensation shall be made after the application of all applicable exclusions, including those set forth under Treasury Reg. § 1.409A-1(b)(9). Any payments that are intended to qualify for the exclusion for separation pay due to involuntary separation from service set forth in Reg. §1.409A-1(b)(9)(iii) must be paid no later than the last day of the second taxable year following the taxable year in which the Termination Date occurs. To the extent that the termination of your employment does not constitute a separation of service under Section 409A(a)(2)(A)(i) of the Code (as the result of further services that are reasonably anticipated to be provided by you to the Company at the time your employment is terminated), the payment of any non-qualified deferred compensation will be further delayed until the first business day that is more than six months after the date of a subsequent event constituting a separation of service under Section 409A(a)(2)(A)(i) of the Code.

2. *Accelerated Vesting.*

(a) Stock options for the purchase of the Company's securities held by you as of the Termination Date and not then exercisable shall immediately become exercisable in full. The options to which this accelerated vesting applies shall remain exercisable until the earlier of (a) the end of the 90-day period immediately following the later of (i) the Termination Date or (ii) the date of the Change of Control and (b) the date the stock option(s) would otherwise expire; and

(b) the Company's lapsing repurchase right with respect to shares of restricted stock held by you shall lapse in full (subject to your making satisfactory arrangements with the Company providing for the payment to the Company of all required withholding taxes).

Notwithstanding anything to the contrary in this Agreement, the terms of any option agreement or restricted stock agreement shall govern the acceleration, if any, of vesting or lapsing of the Company's repurchase rights and period of exercisability of such awards, as applicable, except to the extent that the terms of this Agreement are more favorable to you.

3. *Continued Insurance Coverage.* If COBRA coverage is elected by you, the Company shall pay the cost of COBRA continuation premiums on your behalf to continue standard medical, dental and life insurance coverage for you (or the cash equivalent of same if you are ineligible for continued coverage) until the earlier of (i) the date 12 months after the Termination Date or (ii) the date you begin receiving substantially equivalent coverage and benefits through a subsequent employer.

4. *No Mitigation.* You shall not be required to mitigate the amount of the Severance Payment or any other benefit provided under this Agreement by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Agreement be reduced (except as provided in Article II Section 3(ii)) by any compensation earned by you as the result of other employment, by retirement benefits, or be offset against any amount claimed to be owed by you to the Company or otherwise (except for any required withholding taxes); provided, that if the Company makes any other severance payments to you under any other program or agreement, including any payments under the Employment Agreement, such amounts shall be offset against the payments the Company is obligated to make pursuant to this Agreement.

III. *Miscellaneous.*

1. *Employee's Obligations*. Upon the termination of employment, you shall promptly deliver to the Company all property of the Company and all material documents, statistics, account records, programs and other similar tangible items which may by in your possession or under your control and which relate in a material way to the business or affairs of the Company or its subsidiaries, and no copies of any such documents or any part thereof shall be retained by you.

2. *Entire Agreement.* This Agreement, the Employment Agreement and the "*Employee Non-Disclosure, Non-Competition & Inventions Agreement*" previously executed by you covers the entire understanding of the parties as to the subject matter hereof, superseding all prior understandings and agreements related hereto. No modification or amendment of the terms and conditions of this Agreement shall be effective unless in writing and signed by the parties or their respective duly authorized agents.

3. *Governing Law.* This Agreement shall be governed by the laws of The Commonwealth of Massachusetts, as applied to contracts entered into and performed entirely in Massachusetts by Massachusetts residents.

4. *Successors and Assigns.* This Agreement may be assigned by the Company upon a sale, transfer or reorganization of the Company. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their successors, permitted assigns, legal representatives and heirs.

Kindly indicate your acceptance of the foregoing by signing and dating this Agreement as noted below, and returning one fully executed original to my attention.

Very truly yours,

Vertex Pharmaceuticals Incorporated

By: /s/ Joshua S. Boger

Joshua S. Boger
President and Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Freda Lewis-Hall

Signature

QuickLinks

Exhibit 10.5

35,000 Shares
Sign-on Grant 1

RESTRICTED STOCK AGREEMENT

VERTEX PHARMACEUTICALS INCORPORATED

AGREEMENT made as of the 18th day of June, 2008 (the "*Grant Date*") between Vertex Pharmaceuticals Incorporated (the "*Company*"), a Massachusetts corporation having its principal place of business in Cambridge, Massachusetts, and Freda Lewis-Hall (the "*Participant*").

WHEREAS, the Company has adopted the Vertex Pharmaceuticals Incorporated 2006 Stock and Option Plan (the "*Plan*") to promote the interests of the Company by providing an incentive for employees, directors and consultants of the Company or its Affiliates;

WHEREAS, pursuant to the provisions of the Plan, the Company desires to offer for sale to the Participant shares of the Company's common stock, $0.01 par value per share ("*Common Stock*"), in accordance with the provisions of the Plan, all on the terms and conditions hereinafter set forth;

WHEREAS, Participant wishes to accept said offer; and

WHEREAS, the parties agree that any terms used and not defined herein have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. *Definitions.*

1.1 "*Cause*" shall mean:

(i) the Participant is convicted of a crime involving moral turpitude;

(ii) the Participant's willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom the Participant reports, provided that the Company shall have given the Participant prior written notice of the directive(s) or instruction(s) that the Participant failed to follow, and *provided, further*, that the Company shall have given the Participant, in good faith, 30 days to correct such failure and further provided that if the Participant corrects such failure, any termination of the Participant's employment on account of such failure shall not be treated for purposes of this Agreement as a termination of employment for "Cause;"

(iii) the Participant violates any of the Company's policies made known to the Participant regarding confidentiality, securities trading or insider information; or

(iv) the Participant, in carrying out the Participant's duties, commits (A) willful gross negligence or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Participant, in good faith, to be in the best interests of the Company.

1.2 a "*Change of Control*" shall be deemed to have occurred if:

(a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than 50% of the combined voting power of the outstanding securities of the Company having the right to vote in the election of directors; or

(b) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (i) a transaction solely for the purpose of reincorporating the Company or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying the Company's stock; or (ii) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

1.3 "*Disability*" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Internal Revenue Code ("*Code*") Section 22(e)(3); *provided that*, solely for purposes of determining whether any amount that is payable other than upon termination of employment can be made as a result of disability consistent with the provisions of Code Section 409A, the following definition of "*Disability*" shall apply: an individual has a "*Disability*" if he is unable to engage in any substantial gainful activity because of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of no less than 12 months. Alternatively, an individual is considered disabled if he is, because of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of at least 12 months, receiving income replacement benefits for a period of not less than three months under the Company's long-term disability plan.

1.4 "*Employment Agreement*" shall mean the Employment Agreement dated June 18, 2008 between the Company and the Participant.

1.5 "*Good Reason*" shall mean that, without the Participant's consent, one or more of the following events occurs, and the Participant, at the Participant's own initiative provides notice of termination within 30 days after such event:

(i) the Participant's Base Salary is decreased or the target levels under the Company's target bonus program, or equity compensation program are reduced, unless each or any such reduction is part of an across-the-board proportionate reduction in the salaries, target bonuses, or target equity compensation, as applicable, provided, however, that it is expressly understood that payments or awards under any such program in amounts lower than the target amounts in accordance with any such program shall not constitute "Good Reason;"

(ii) the office to which the Participant is assigned is relocated to a place 35 or more miles away and such relocation is not at the Participant's request or with the Participant's prior agreement (and other than, for Participants assigned to the Company's principal Executive offices, in connection with a change in location of the Company's principal Executive offices); or

(iii) the Participant's duties are materially diminished to an extent that results in either (A) the Participant no longer being an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934; or (B) the Participant ceases to be a member of the executive management team of the Company.

2. *Terms of Purchase.* The Participant hereby accepts the offer of the Company to issue to the Participant, in accordance with the terms of the Employment Agreement, the Plan and this Agreement, 35,000 shares of the Company's Common Stock (such shares, subject to adjustment pursuant to

Section 17 of the Plan and Subsection 3(g) hereof, the "*Granted Shares*") at a purchase price per share of $0.01 (the "*Purchase Price*"), receipt of which is hereby acknowledged by the Company.

3. *Company's Lapsing Repurchase Right.*

(a) *Lapsing Repurchase Right.* Except as set forth in Subsection 3(b) hereof, if for any reason the Participant experiences a Termination of Service prior to June 18, 2012, the Company (or its designee) shall have the option, but not the obligation, to purchase from the Participant, and, in the event the Company exercises such option, the Participant shall be obligated to sell to the Company (or its designee), at a price per Granted Share equal to the Purchase Price, all or any part of the Granted Shares as set forth herein (the "*Lapsing Repurchase Right*"). The Company's Lapsing Repurchase Right shall lapse with respect to 2,188 of the Granted Shares on a quarterly basis, beginning on September 18, 2008, unless the Participant shall have, prior to any such quarterly lapsing date, experienced a Termination of Service. The Company's Lapsing Repurchase Right shall be valid for a period of one year commencing with the date of such termination of employment or service. Notwithstanding any other provision hereof, if the Company is prohibited during such one year period from exercising its Lapsing Repurchase Right by applicable law, then the time period during which such Lapsing Repurchase Right may be exercised shall be extended until the later of (a) the end of such one-year period or (b) 30 days after the Company is first not so prohibited.

(b) *Effect of Termination by the Company Without Cause, or by the Participant for Good Reason.* The Company's Lapsing Repurchase Right shall terminate, and the Participant's ownership of all Granted Shares then owned by the Participant shall become vested, if the Company or an affiliate terminates the Participant's employment or service other than for Cause or if the Participant terminates her employment for Good Reason.

(c) *Closing.* If the Company exercises the Lapsing Repurchase Right, the Company shall notify the Participant, or, in the case of the Participant's death, his or her survivor, in writing of its intent to repurchase the Granted Shares that are subject to the Lapsing Repurchase Right. Such notice may be mailed by the Company up to and including the last day of the time period provided for above for exercise of the Lapsing Repurchase Right. The notice shall specify the place, time and date for payment of the repurchase price (the "*Closing*") and the number of Granted Shares with respect to which the Company is exercising the Lapsing Repurchase Right. The Closing shall be not less than ten days nor more than 60 days from the date of mailing of the notice, and the Participant or the Participant's survivor with respect to the Granted Shares which the Company elects to repurchase shall have no further rights as the owner thereof from and after the date specified in the notice. At the Closing, the repurchase price shall be delivered to the Participant or the Participant's survivor and the Granted Shares being repurchased, duly endorsed for transfer, shall, to the extent that they are not then in the possession of the Company, be delivered to the Company by the Participant or the Participant's survivor.

(d) *Escrow.* Each of the Granted Shares that is subject to the Lapsing Repurchase Right, together with any securities distributed in respect thereof such as through a stock split or other recapitalization, shall be held by the Company in escrow until such time as the Company's Lapsing Repurchase Right with respect to such Granted Share shall have lapsed. The Company promptly shall release Granted Shares from escrow upon termination of the Lapsing Repurchase Right with respect to those Granted Shares.

(e) *Prohibition on Transfer.* The Participant recognizes and agrees that all Granted Shares that are subject to the Lapsing Repurchase Right may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee). However, the Participant, with the approval of the Committee, may transfer the Granted Shares for no consideration to or for the benefit of the Participant's Immediate Family (including, without limitation, to a trust for the benefit of the Participant's Immediate Family or

to a partnership or limited liability company for one or more members of the Participant's Immediate Family), subject to such limits as the Committee may establish, and the transferee shall remain subject to all the terms and conditions applicable to this Agreement prior to such transfer and each such transferee shall so acknowledge in writing as a condition precedent to the effectiveness of such transfer. The term "Immediate Family" shall mean the Participant's spouse, former spouse, parents, children, stepchildren, adoptive relationships, sisters, brothers, nieces and nephews and grandchildren (and, for this purpose, shall also include the Participant). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 3(e), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 3(e).

(f) *Failure to Deliver Granted Shares to be Repurchased.* If the Granted Shares to be repurchased by the Company under this Agreement are not in the Company's possession pursuant to Subsection 3(c) above or otherwise and the Participant or the Participant's survivor fails to deliver such Granted Shares to the Company (or its designee), the Company may elect (i) to establish a segregated account in the amount of the repurchase price, such account to be turned over to the Participant or the Participant's survivor upon delivery of such Granted Shares, and (ii) immediately to take such action as is appropriate to transfer record title of such Granted Shares from the Participant to the Company (or its designee) and to treat the Participant and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Participant hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence, which power of attorney shall be terminated, void and of no further force or effect with respect to those Granted Shares for which the Company's Lapsing Repurchase Right shall have lapsed.

(g) *Adjustments.* The Plan contains provisions covering the treatment of Granted Shares in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to the Granted Shares and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

4. *Legend.* In addition to any legend required pursuant to the Plan, all certificates representing the Granted Shares to be issued to the Participant pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

> "The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement with the Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request."

5. *Incorporation of the Plan.* The Participant specifically understands and agrees that the Granted Shares issued under the Plan are being sold to the Participant pursuant to the Plan, a copy of which Plan the Participant acknowledges he or she has read and understands and by which Plan he or she agrees to be bound. The provisions of the Plan are incorporated herein by reference.

6. *Tax Liability of the Participant and Payment of Taxes.* The Participant acknowledges and agrees that any income or other taxes due from the Participant with respect to the Granted Shares issued pursuant to this Agreement, including, without limitation, the Lapsing Repurchase Right, shall be the Participant's responsibility. The Participant agrees and acknowledges that (i) the Company promptly will withhold from the Participant's pay the amount of taxes the Company is required to withhold upon the lapsing of any Lapsing Repurchase Right on the part of the Company pursuant to this Agreement, and (ii) the Participant shall make immediate payment to the Company in the amount of any tax required to be withheld by the Company in excess of the Participant's pay available for such withholding.

7. *Equitable Relief.* The Participant specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement or the Plan, including the attempted transfer of the Granted Shares by the Participant in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

8. *No Obligation to Maintain Relationship.* The Company is not by the Plan or this Agreement obligated to continue the Participant as an employee, director or consultant of the Company or an affiliate. The Participant acknowledges: (i) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (ii) that the grant of the Granted Shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (iii) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall be free from a lapsing repurchase right, will be at the sole discretion of the Company; (iv) that the Participant's participation in the Plan is voluntary; and (v) that the Granted Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments other than as set forth in the Employment Agreement.

9. *Notices.* Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139
Attention: Legal Department-Corporate

If to the Participant:

At the Participant's home address then
listed in the Company's payroll records

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

10. *Benefit of Agreement.* Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

11. *Governing Law.* This Agreement shall be construed and enforced in accordance with the laws of The Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in Massachusetts and agree that such litigation shall be conducted in the courts of Boston, Massachusetts or the federal courts of the United States for the District of Massachusetts.

12. *Severability.* If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to

make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

13. *Entire Agreement.* This Agreement, together with the Plan and the Employment Agreement, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

14. *Modifications and Amendments; Waivers and Consents.* The terms and provisions of this Agreement may be modified or amended as provided in the Plan. Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

15. *Consent of Spouse*. If the Participant is married as of the date of this Agreement, the Participant's spouse shall execute a Consent of Spouse in the form of *Exhibit A* hereto, effective as of the date hereof. Such consent shall not be deemed to confer or convey to the spouse any rights in the Granted Shares that do not otherwise exist by operation of law or the agreement of the parties. If the Participant marries or remarries subsequent to the date hereof, the Participant shall, not later than 60 days thereafter, obtain his or her new spouse's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by such spouse's executing and delivering a Consent of Spouse in the form of *Exhibit A.*

16. *Counterparts.* This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. *Data Privacy.* By entering into this Agreement, the Participant: (i) authorizes the Company and each affiliate, and any agent of the Company or any affiliate administering the Plan or providing Plan record keeping services, to disclose to the Company or any of its affiliates such information and data as the Company or any such affiliate shall request in order to facilitate the grant of Granted Shares and the administration of the Plan; (ii) waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each affiliate to store and transmit such information in electronic form.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

VERTEX PHARMACEUTICALS

INCORPORATED

By: /s/ Joshua S. Boger

Joshua S. Boger
President and Chief Executive Officer

PARTICIPANT:

/s/ Freda Lewis-Hall

Freda Lewis-Hall

EXHIBIT A

CONSENT OF SPOUSE

I, , spouse of Freda Lewis-Hall, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of June 18, 2008 (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse pursuant to the Agreement are subject to a Lapsing Repurchase Right in favor of **VERTEX PHARMACEUTICALS INCORPORATED** (the "*Company*") and that, accordingly, the Company has the right to repurchase up to all of the Granted Shares of which I may become possessed as a result of a gift from my spouse or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the Lapsing Repurchase Right described in the Agreement and I hereby consent to the repurchase of the Granted Shares by the Company and the sale of the Granted Shares by my spouse or my spouse's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse, then the Company shall have the same rights against my legal representative to exercise its rights of repurchase with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.

Dated as of the day of , 2008.

Print name:

QuickLinks

Exhibit 10.6

10,000 Shares
Sign-on Grant 2

RESTRICTED STOCK AGREEMENT

VERTEX PHARMACEUTICALS INCORPORATED

AGREEMENT made as of the 18th day of June, 2008 (the "*Grant Date*") between Vertex Pharmaceuticals Incorporated (the "*Company*"), a Massachusetts corporation having its principal place of business in Cambridge, Massachusetts, and Freda Lewis-Hall (the "*Participant*").

WHEREAS, the Company has adopted the Vertex Pharmaceuticals Incorporated 2006 Stock and Option Plan (the "*Plan*") to promote the interests of the Company by providing an incentive for employees, directors and consultants of the Company or its Affiliates;

WHEREAS, pursuant to the provisions of the Plan, the Company desires to offer for sale to the Participant shares of the Company's common stock, $0.01 par value per share ("*Common Stock*"), in accordance with the provisions of the Plan, all on the terms and conditions hereinafter set forth;

WHEREAS, Participant wishes to accept said offer; and

WHEREAS, the parties agree that any terms used and not defined herein have the meanings ascribed to such terms in the Plan.

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. *Definitions.*

1.1 "*Cause*" shall mean:

(i) the Participant is convicted of a crime involving moral turpitude;

(ii) the Participant's willful refusal or failure to follow a lawful directive or instruction of the Company's Board of Directors or the individual(s) to whom the Participant reports, provided that the Company shall have given the Participant prior written notice of the directive(s) or instruction(s) that the Participant failed to follow, and *provided, further*, that the Company shall have given the Participant, in good faith, 30 days to correct such failure and further provided that if the Participant corrects such failure, any termination of the Participant's employment on account of such failure shall not be treated for purposes of this Agreement as a termination of employment for "Cause;"

(iii) the Participant violates any of the Company's policies made known to the Participant regarding confidentiality, securities trading or insider information; or

(iv) the Participant, in carrying out the Participant's duties, commits (A) willful gross negligence or (B) willful gross misconduct resulting, in either case, in material harm to the Company unless such act, or failure to act, was believed by the Participant, in good faith, to be in the best interests of the Company.

1.2 a "*Change of Control*" shall be deemed to have occurred if:

(a) any "person" or "group" as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934 (the "Act"), becomes a beneficial owner, as such term is used in Rule 13d-3 promulgated under the Act, of securities of the Company representing more than 50% of the combined voting power of the outstanding securities of the Company having the right to vote in the election of directors; or

(b) all or substantially all the business or assets of the Company are sold or disposed of, or the Company or a subsidiary of the Company combines with another company pursuant to a merger, consolidation, or other similar transaction, other than (i) a transaction solely for the purpose of reincorporating the Company or one of its subsidiaries in a different jurisdiction or recapitalizing or reclassifying the Company's stock; or (ii) a merger or consolidation in which the shareholders of the Company immediately prior to such merger or consolidation continue to own at least a majority of the outstanding voting securities of the Company or the surviving entity immediately after the merger or consolidation.

1.3 "*Disability*" shall mean a disability as determined under the Company's long-term disability plan or program in effect at the time the disability first occurs, or if no such plan or program exists at the time of disability, then a "disability" as defined under Internal Revenue Code ("*Code*") Section 22(e)(3); *provided that*, solely for purposes of determining whether any amount that is payable other than upon termination of employment can be made as a result of disability consistent with the provisions of Code Section 409A, the following definition of "*Disability*" shall apply: an individual has a "*Disability*" if he is unable to engage in any substantial gainful activity because of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of no less than 12 months. Alternatively, an individual is considered disabled if he is, because of any medically determinable physical or mental impairment that can be expected to result in death or last for a continuous period of at least 12 months, receiving income replacement benefits for a period of not less than three months under the Company's long-term disability plan.

1.4 "*Employment Agreement*" shall mean the Employment Agreement dated June 18, 2008 between the Company and the Participant.

1.5 "*Good Reason*" shall mean that, without the Participant's consent, one or more of the following events occurs, and the Participant, at the Participant's own initiative provides notice of termination within 30 days after such event:

(i) the Participant's Base Salary is decreased or the target levels under the Company's target bonus program, or equity compensation program are reduced, unless each or any such reduction is part of an across-the-board proportionate reduction in the salaries, target bonuses, or target equity compensation, as applicable, provided, however, that it is expressly understood that payments or awards under any such program in amounts lower than the target amounts in accordance with any such program shall not constitute "Good Reason;"

(ii) the office to which the Participant is assigned is relocated to a place 35 or more miles away and such relocation is not at the Participant's request or with the Participant's prior agreement (and other than, for Participants assigned to the Company's principal Executive offices, in connection with a change in location of the Company's principal Executive offices); or

(iii) the Participant's duties are materially diminished to an extent that results in either (A) the Participant no longer being an "officer," as such term is defined in Rule 16a-1(f) promulgated under the Securities Exchange Act of 1934; or (B) the Participant ceases to be a member of the executive management team of the Company.

2. *Terms of Purchase*. The Participant hereby accepts the offer of the Company to issue to the Participant, in accordance with the terms of the Employment Agreement, the Plan and this Agreement, 10,000 shares of the Company's Common Stock (such shares, subject to adjustment pursuant to

Section 17 of the Plan and Subsection 3(g) hereof, the "*Granted Shares*") at a purchase price per share of $0.01 (the "*Purchase Price*"), receipt of which is hereby acknowledged by the Company.

3. *Company's Lapsing Repurchase Right.*

(a) *Lapsing Repurchase Right.* Except as set forth in Subsection 3(b) hereof, if for any reason the Participant experiences a Termination of Service prior to June 18, 2010, the Company (or its designee) shall have the option, but not the obligation, to purchase from the Participant, and, in the event the Company exercises such option, the Participant shall be obligated to sell to the Company (or its designee), at a price per Granted Share equal to the Purchase Price, all or any part of the Granted Shares as set forth herein (the "*Lapsing Repurchase Right*"). The Company's Lapsing Repurchase Right shall lapse with respect to 1,250 of the Granted Shares on a quarterly basis, beginning on September 18, 2008, unless the Participant shall have, prior to any such quarterly lapsing date, experienced a Termination of Service. The Company's Lapsing Repurchase Right shall be valid for a period of one year commencing with the date of such termination of employment or service. Notwithstanding any other provision hereof, if the Company is prohibited during such one year period from exercising its Lapsing Repurchase Right by applicable law, then the time period during which such Lapsing Repurchase Right may be exercised shall be extended until the later of (a) the end of such one-year period or (b) 30 days after the Company is first not so prohibited.

(b) *Effect of Termination by the Company Without Cause, or by the Participant for Good Reason.* The Company's Lapsing Repurchase Right shall terminate, and the Participant's ownership of all Granted Shares then owned by the Participant shall become vested, if the Company or an affiliate terminates the Participant's employment or service other than for Cause or if the Participant terminates her employment for Good Reason.

(c) *Closing.* If the Company exercises the Lapsing Repurchase Right, the Company shall notify the Participant, or, in the case of the Participant's death, his or her survivor, in writing of its intent to repurchase the Granted Shares that are subject to the Lapsing Repurchase Right. Such notice may be mailed by the Company up to and including the last day of the time period provided for above for exercise of the Lapsing Repurchase Right. The notice shall specify the place, time and date for payment of the repurchase price (the "*Closing*") and the number of Granted Shares with respect to which the Company is exercising the Lapsing Repurchase Right. The Closing shall be not less than ten days nor more than 60 days from the date of mailing of the notice, and the Participant or the Participant's survivor with respect to the Granted Shares which the Company elects to repurchase shall have no further rights as the owner thereof from and after the date specified in the notice. At the Closing, the repurchase price shall be delivered to the Participant or the Participant's survivor and the Granted Shares being repurchased, duly endorsed for transfer, shall, to the extent that they are not then in the possession of the Company, be delivered to the Company by the Participant or the Participant's survivor.

(d) *Escrow.* Each of the Granted Shares that is subject to the Lapsing Repurchase Right, together with any securities distributed in respect thereof such as through a stock split or other recapitalization, shall be held by the Company in escrow until such time as the Company's Lapsing Repurchase Right with respect to such Granted Share shall have lapsed. The Company promptly shall release Granted Shares from escrow upon termination of the Lapsing Repurchase Right with respect to those Granted Shares.

(e) *Prohibition on Transfer.* The Participant recognizes and agrees that all Granted Shares that are subject to the Lapsing Repurchase Right may not be sold, transferred, assigned, hypothecated, pledged, encumbered or otherwise disposed of, whether voluntarily or by operation of law, other than to the Company (or its designee). However, the Participant, with the approval of the Committee, may transfer the Granted Shares for no consideration to or for the benefit of the Participant's Immediate Family (including, without limitation, to a trust for the benefit of the Participant's Immediate Family or

to a partnership or limited liability company for one or more members of the Participant's Immediate Family), subject to such limits as the Committee may establish, and the transferee shall remain subject to all the terms and conditions applicable to this Agreement prior to such transfer and each such transferee shall so acknowledge in writing as a condition precedent to the effectiveness of such transfer. The term "Immediate Family" shall mean the Participant's spouse, former spouse, parents, children, stepchildren, adoptive relationships, sisters, brothers, nieces and nephews and grandchildren (and, for this purpose, shall also include the Participant). The Company shall not be required to transfer any Granted Shares on its books which shall have been sold, assigned or otherwise transferred in violation of this Subsection 3(e), or to treat as the owner of such Granted Shares, or to accord the right to vote as such owner or to pay dividends to, any person or organization to which any such Granted Shares shall have been so sold, assigned or otherwise transferred, in violation of this Subsection 3(e).

(f) *Failure to Deliver Granted Shares to be Repurchased.* If the Granted Shares to be repurchased by the Company under this Agreement are not in the Company's possession pursuant to Subsection 3(c) above or otherwise and the Participant or the Participant's survivor fails to deliver such Granted Shares to the Company (or its designee), the Company may elect (i) to establish a segregated account in the amount of the repurchase price, such account to be turned over to the Participant or the Participant's survivor upon delivery of such Granted Shares, and (ii) immediately to take such action as is appropriate to transfer record title of such Granted Shares from the Participant to the Company (or its designee) and to treat the Participant and such Granted Shares in all respects as if delivery of such Granted Shares had been made as required by this Agreement. The Participant hereby irrevocably grants the Company a power of attorney which shall be coupled with an interest for the purpose of effectuating the preceding sentence, which power of attorney shall be terminated, void and of no further force or effect with respect to those Granted Shares for which the Company's Lapsing Repurchase Right shall have lapsed.

(g) *Adjustments.* The Plan contains provisions covering the treatment of Granted Shares in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to the Granted Shares and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

4. *Legend.* In addition to any legend required pursuant to the Plan, all certificates representing the Granted Shares to be issued to the Participant pursuant to this Agreement shall have endorsed thereon a legend substantially as follows:

> "The shares represented by this certificate are subject to restrictions set forth in a Restricted Stock Agreement with the Company, a copy of which Agreement is available for inspection at the offices of the Company or will be made available upon request."

5. *Incorporation of the Plan.* The Participant specifically understands and agrees that the Granted Shares issued under the Plan are being sold to the Participant pursuant to the Plan, a copy of which Plan the Participant acknowledges he or she has read and understands and by which Plan he or she agrees to be bound. The provisions of the Plan are incorporated herein by reference.

6. *Tax Liability of the Participant and Payment of Taxes.* The Participant acknowledges and agrees that any income or other taxes due from the Participant with respect to the Granted Shares issued pursuant to this Agreement, including, without limitation, the Lapsing Repurchase Right, shall be the Participant's responsibility. The Participant agrees and acknowledges that (i) the Company promptly will withhold from the Participant's pay the amount of taxes the Company is required to withhold upon the lapsing of any Lapsing Repurchase Right on the part of the Company pursuant to this Agreement, and (ii) the Participant shall make immediate payment to the Company in the amount of any tax required to be withheld by the Company in excess of the Participant's pay available for such withholding.

7. *Equitable Relief.* The Participant specifically acknowledges and agrees that in the event of a breach or threatened breach of the provisions of this Agreement or the Plan, including the attempted transfer of the Granted Shares by the Participant in violation of this Agreement, monetary damages may not be adequate to compensate the Company, and, therefore, in the event of such a breach or threatened breach, in addition to any right to damages, the Company shall be entitled to equitable relief in any court having competent jurisdiction. Nothing herein shall be construed as prohibiting the Company from pursuing any other remedies available to it for any such breach or threatened breach.

8. *No Obligation to Maintain Relationship.* The Company is not by the Plan or this Agreement obligated to continue the Participant as an employee, director or consultant of the Company or an affiliate. The Participant acknowledges: (i) that the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (ii) that the grant of the Granted Shares is a one-time benefit which does not create any contractual or other right to receive future grants of shares, or benefits in lieu of shares; (iii) that all determinations with respect to any such future grants, including, but not limited to, the times when shares shall be granted, the number of shares to be granted, the purchase price, and the time or times when each share shall be free from a lapsing repurchase right, will be at the sole discretion of the Company; (iv) that the Participant's participation in the Plan is voluntary; and (v) that the Granted Shares are not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments other than as set forth in the Employment Agreement.

9. *Notices.* Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Vertex Pharmaceuticals Incorporated
130 Waverly Street
Cambridge, MA 02139
Attention: Legal Department-Corporate

If to the Participant:

At the Participant's home address then
listed in the Company's payroll records

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given on the earliest of receipt, one business day following delivery by the sender to a recognized courier service, or three business days following mailing by registered or certified mail.

10. *Benefit of Agreement.* Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

11. *Governing Law.* This Agreement shall be construed and enforced in accordance with the laws of The Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, whether at law or in equity, the parties hereby consent to exclusive jurisdiction in Massachusetts and agree that such litigation shall be conducted in the courts of Boston, Massachusetts or the federal courts of the United States for the District of Massachusetts.

12. *Severability.* If any provision of this Agreement is held to be invalid or unenforceable by a court of competent jurisdiction, then such provision or provisions shall be modified to the extent necessary to

make such provision valid and enforceable, and to the extent that this is impossible, then such provision shall be deemed to be excised from this Agreement, and the validity, legality and enforceability of the rest of this Agreement shall not be affected thereby.

13. *Entire Agreement.* This Agreement, together with the Plan and the Employment Agreement, constitutes the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict the express terms and provisions of this Agreement provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

14. *Modifications and Amendments; Waivers and Consents.* The terms and provisions of this Agreement may be modified or amended as provided in the Plan. Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

15. *Consent of Spouse*. If the Participant is married as of the date of this Agreement, the Participant's spouse shall execute a Consent of Spouse in the form of *Exhibit A* hereto, effective as of the date hereof. Such consent shall not be deemed to confer or convey to the spouse any rights in the Granted Shares that do not otherwise exist by operation of law or the agreement of the parties. If the Participant marries or remarries subsequent to the date hereof, the Participant shall, not later than 60 days thereafter, obtain his or her new spouse's acknowledgement of and consent to the existence and binding effect of all restrictions contained in this Agreement by such spouse's executing and delivering a Consent of Spouse in the form of *Exhibit A.*

16. *Counterparts.* This Agreement may be executed in one or more counterparts, and by different parties hereto on separate counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

17. *Data Privacy.* By entering into this Agreement, the Participant: (i) authorizes the Company and each affiliate, and any agent of the Company or any affiliate administering the Plan or providing Plan record keeping services, to disclose to the Company or any of its affiliates such information and data as the Company or any such affiliate shall request in order to facilitate the grant of Granted Shares and the administration of the Plan; (ii) waives any data privacy rights he or she may have with respect to such information; and (iii) authorizes the Company and each affiliate to store and transmit such information in electronic form.

[Signature page follows]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first above written.

VERTEX PHARMACEUTICALS

INCORPORATED

By: /s/ Joshua S. Boger

Joshua S. Boger
President and Chief Executive Officer

PARTICIPANT:

/s/ Freda Lewis-Hall

Freda Lewis-Hall

EXHIBIT A

CONSENT OF SPOUSE

I, , spouse of Freda Lewis-Hall, acknowledge that I have read the RESTRICTED STOCK AGREEMENT dated as of June 18, 2008 (the "Agreement") to which this Consent is attached as Exhibit A and that I know its contents. Capitalized terms used and not defined herein shall have the meanings assigned to such terms in the Agreement. I am aware that by its provisions the Granted Shares granted to my spouse pursuant to the Agreement are subject to a Lapsing Repurchase Right in favor of **VERTEX PHARMACEUTICALS INCORPORATED** (the "*Company*") and that, accordingly, the Company has the right to repurchase up to all of the Granted Shares of which I may become possessed as a result of a gift from my spouse or a court decree and/or any property settlement in any domestic litigation.

I hereby agree that my interest, if any, in the Granted Shares subject to the Agreement shall be irrevocably bound by the Agreement and further understand and agree that any community property interest I may have in the Granted Shares shall be similarly bound by the Agreement.

I agree to the Lapsing Repurchase Right described in the Agreement and I hereby consent to the repurchase of the Granted Shares by the Company and the sale of the Granted Shares by my spouse or my spouse's legal representative in accordance with the provisions of the Agreement. Further, as part of the consideration for the Agreement, I agree that at my death, if I have not disposed of any interest of mine in the Granted Shares by an outright bequest of the Granted Shares to my spouse, then the Company shall have the same rights against my legal representative to exercise its rights of repurchase with respect to any interest of mine in the Granted Shares as it would have had pursuant to the Agreement if I had acquired the Granted Shares pursuant to a court decree in domestic litigation.

I AM AWARE THAT THE LEGAL, FINANCIAL AND RELATED MATTERS CONTAINED IN THE AGREEMENT ARE COMPLEX AND THAT I AM FREE TO SEEK INDEPENDENT PROFESSIONAL GUIDANCE OR COUNSEL WITH RESPECT TO THIS CONSENT. I HAVE EITHER SOUGHT SUCH GUIDANCE OR COUNSEL OR DETERMINED AFTER REVIEWING THE AGREEMENT CAREFULLY THAT I WILL WAIVE SUCH RIGHT.

Dated as of the day of , 2008.

Print name:

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Exhibit 10.7

VERTEX PHARMACEUTICALS INCORPORATED
AMENDED AND RESTATED 2006 STOCK and OPTION PLAN

1. DEFINITIONS

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Vertex Pharmaceuticals Incorporated Amended and Restated 2006 Stock and Option Plan, have the following meanings:

Administrator means the Board of Directors and/or a committee of the Board of Directors to which the Board of Directors has delegated power to act on its behalf in administering this Plan in whole or in part.

Affiliate means a corporation that, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

Board of Directors means the Board of Directors of the Company.

Code means the United States Internal Revenue Code of 1986, as amended.

Common Stock means shares of the Company's common stock, $.01 par value.

Company means Vertex Pharmaceuticals Incorporated, a Massachusetts corporation.

Employee means an employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or director of the Company or of an Affiliate), designated by the Administrator to be eligible to be granted one or more Stock Rights under the Plan.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value of a Share of Common Stock on a particular date shall be the mean between the highest and lowest quoted selling prices on such date (the "valuation date") on the securities market where the Common Stock is traded, or if there were no sales on the valuation date, on the next preceding date within a reasonable period (as determined in the sole discretion of the Administrator) on which there were sales. If there were no sales in such a market within a reasonable period, the fair market value shall be as determined in good faith by the Administrator in its sole discretion. The Fair Market Value as determined in this paragraph shall be rounded down to the next lower whole cent if the foregoing calculation results in fractional cents.

ISO means an option intended to qualify as an incentive stock option under Code Section 422.

Non-Employee Director means a member of the Board of Directors who is not an employee of the Company or any Affiliate.

Non-Qualified Option means an option that is not intended to qualify as an ISO.

Option means an ISO or Non-Qualified Option granted under the Plan.

Participant means an Employee, Non-Employee Director, consultant or advisor of the Company or an Affiliate to whom one or more Stock Rights are granted under the Plan. As used herein, "Participant" shall include "Participant's Survivors" and a Participant's permitted transferees where the context requires.

Participant's Survivors means a deceased Participant's legal representatives and/or any person or persons who acquires the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

Plan means this Vertex Pharmaceuticals Incorporated Amended and Restated 2006 Stock and Option Plan, as amended from time to time.

Shares means shares of the Common Stock as to which Stock Rights have been or may be granted under the Plan or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Section 3 of the Plan. The Shares subject to Stock Rights granted under the Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both.

Stock Agreement means an agreement between the Company and a Participant delivered pursuant to the Plan with respect to a Stock Right, in such form as the Administrator shall approve.

Stock-Based Award means a grant by the Company under the Plan of an equity award or equity-based award that is not an Option or Stock Grant.

Stock Grant means a grant by the Company of Shares under the Plan.

Stock Right means a right to Shares or the value of Shares of the Company granted pursuant to the Plan as an ISO, a Non-Qualified Option, a Stock Grant or a Stock-Based Award.

2. PURPOSES OF THE PLAN

The Plan is intended to encourage ownership of Shares by Employees, Non-Employee Directors and certain consultants and advisors to the Company in order to attract such persons, to induce them to work for the benefit of the Company or of an Affiliate and to provide additional incentive for them to promote the success of the Company or of an Affiliate. The Plan provides for the granting of Stock Rights to Employees, Non-Employee Directors, consultants and advisors of the Company.

3. SHARES SUBJECT TO THE PLAN

The number of Shares subject to this Plan as to which Stock Rights may be granted from time to time shall be 13,902,380 or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Section 17 of this Plan. The number of Shares subject to this Plan shall be reduced, share for share, by the number of shares underlying Stock Rights, if any, that are granted under the Company's 2007 New Hire Stock and Option Plan after March 17, 2008.

If an Option granted hereunder ceases to be outstanding, in whole or in part (other than by exercise), or if the Company shall reacquire (at no more than its original issuance price) any Shares issued pursuant to a Stock Grant, or if any Stock Right expires or is forfeited, cancelled or otherwise terminated or results in any Shares not being issued, the unissued Shares that were subject to such Stock Right shall again be available for issuance from time to time pursuant to this Plan; provided that, the following Shares may not again be made available for issuance as Awards under the Plan: (i) Shares that are not issued or delivered as a result of the net settlement of an outstanding Stock-Based Award or Option and (ii) Shares that the Company acquires from a Participant for a price that is more than the original issuance price of the Share, including any Share acquired by the Company to fund employee payroll tax withholding obligations on a Stock Grant or Shares applied to payment of the exercise price for an Option.

After May 14, 2008, the number Shares that may be subject to or delivered pursuant to any form of Stock Right other than an Option shall not exceed 20% of the aggregate of (A) the number of Shares available as to which Stock Rights may be granted under this Plan on May 15, 2008 (taking in account the Shares added on such date, but which amount does not include those 536,625 Shares as to which the Company granted Options on February 7, 2008, subject to obtaining subsequent stockholder

approval of such Options) and (B) any Shares that again become available for issuance on or after May 15, 2008 pursuant to the preceding paragraph.

4. ADMINISTRATION OF THE PLAN

The Administrator shall administer the Plan. Subject to the provisions of the Plan, the Administrator is authorized to:

a. Interpret the provisions of the Plan and of any Stock Right or Stock Agreement and to make all rules and determinations that it deems necessary or advisable for the administration of the Plan;

b. Determine which Employees, Non-Employee Directors, consultants and advisors of the Company and its Affiliates shall be granted Stock Rights;

c. Determine the number of Shares and exercise price for which a Stock Right shall be granted;

d. Specify the terms and conditions upon which a Stock Right or Stock Rights may be granted;

e. In its discretion, accelerate:

(i) the date of exercise of any installment of any Option; provided that the Administrator shall not, without the consent of the Option holder accelerate the exercise date of any installment of any Option granted to any Employee as an ISO (and not previously converted into a Non-Qualified Option pursuant to Section 20) if such acceleration would violate the annual vesting limitation contained in Section 422(d) of the Code, as described in Section 6.2.3; or

(ii) the date or dates of vesting of Shares, or lapsing of Company repurchase rights with respect to any Shares, under any Stock Rights; and

f. In its discretion, extend the exercise date for any Option;

provided, however, that all such interpretations, rules, determinations, terms and conditions shall be made and prescribed in the context of preserving the tax status under Code Section 422 of those Options which are designated as ISOs (unless the holder of any such Option otherwise agrees). Subject to the foregoing, the interpretation and construction by the Administrator of any provisions of the Plan or of any Stock Right granted under it shall be final, unless otherwise determined by the Board of Directors, if the Administrator is other than the Board of Directors.

The Administrator may employ attorneys, consultants, accountants or other persons, and the Administrator, the Company and its officers and directors shall be entitled to rely upon the advice, opinions or valuations of such persons. All actions taken and all interpretations and determinations made by the Administrator in good faith shall be final and binding upon the Company, all Participants, and all other interested persons. No member or agent of the Administrator shall be personally liable for any action, determination, or interpretation made in good faith with respect to this Plan or grants hereunder. Each member of the Administrator shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) reasonably incurred by him or her or any liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with this Plan unless arising out of such member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the members of the Administrator may have as directors or otherwise under the by-laws of the Company, or any agreement, vote of stockholders or disinterested directors, or otherwise.

5. ELIGIBILITY FOR PARTICIPATION

The Administrator shall, in its sole discretion, name the Participants in the Plan, provided, however, that each Participant must be a Employee, Non-Employee Director, consultant or advisor of the Company or of an Affiliate at the time a Stock Right is granted. Notwithstanding the foregoing, the Administrator may authorize the grant of a Stock Right to a person not then an Employee, Non-Employee Director, consultant or advisor of the Company or of an Affiliate; *provided*, *however*, that the actual grant of such Stock Right shall be conditioned upon such person becoming eligible to become a Participant at or prior to the time of execution of the Stock Agreement evidencing such Stock Right. ISOs may be granted only to Employees. The granting of any Stock Right to any individual shall neither entitle that individual to, nor disqualify him or her from, participation in other grants of Stock Rights.

6. TERMS AND CONDITIONS OF OPTIONS

6.1 *General.* Each Option shall be set forth in writing in a Stock Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Administrator may provide that Options be granted subject to such terms and conditions, consistent with the terms and conditions specifically required under this Plan, as the Administrator may deem appropriate including, without limitation, subsequent approval by the stockholders of the Company of this Plan or any amendments thereto. Each Stock Agreement shall state the option price (per share) of the Shares covered by each Option, the number of Shares to which it pertains, the date or dates on which it first is exercisable and the date after which it may no longer be exercised (subject to Sections 11, 12 and 13 of this Plan). Option rights may accrue or become exercisable in installments over a period of time, or upon the achievement of certain conditions or the attainment of stated goals or events. The Option Price per share of Shares covered by an Option (including both ISOs and Non-Qualified Options) shall not be less than one hundred percent (100%) of the Fair Market Value per share of the Common Stock on the date of grant.

6.2 *ISOs.* Each Option intended to be an ISO shall be issued only to Employees. In addition to the minimum standards set forth in Section 6.1, ISOs shall be subject to the following terms and conditions, with such additional restrictions or changes as the Administrator determines are appropriate but not in conflict with Code Section 422 and relevant regulations and rulings of the Internal Revenue Service:

6.2.1 *ISO Option Price.* In addition to the limitation set forth in Section 6.1, the Option price per share of the Shares covered by each ISO granted to a Participant who owns, directly or by reason of the applicable attribution rules in Code Section 424(d), more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or an Affiliate shall not be less than one hundred ten percent (110%) of the Fair Market Value on the date of grant.

6.2.2 *Term of ISO.* Each ISO shall expire not more than ten (10) years from the date of grant; provided, however, that an ISO granted to a Participant who owns, directly or by reason of the applicable attribution rules in Code Section 424(d), more than ten percent (10%) of the total combined voting power of all classes of stock of the Company or an Affiliate shall expire not more than five (5) years from the date of grant.

6.2.3 *Annual Limit on Incentive Stock Options.* To the extent required for "incentive stock option" treatment under Section 422 of the Code, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which ISOs granted under this Plan and any other plan of the Company or its Affiliate become exercisable for the first time by a Participant during any calendar year shall not exceed the aggregate threshold for ISOs established by the Code ($100,000 as of March 22, 2006). To the extent that any Option exceeds this limit, it shall constitute a Non-Qualified Option.

6.3 *Non-Employee Directors' Options.* Each Non-Employee Director, upon first being elected or appointed to the Board of Directors, shall be granted a Non-Qualified Option to purchase that number of Shares as shall be established for such Option grants from time to time by the Board of Directors. Each such Option shall (i) have an exercise price equal to the Fair Market Value (per share) on the date of grant of the Option, (ii) have a term of ten (10) years, and (ii) shall become cumulatively exercisable in sixteen (16) equal quarterly installments, upon completion of each full quarter of service on the Board of Directors after the date of grant. In addition, on June 1 of each year, each Non-Employee Director shall be granted a Non-Qualified Option to purchase that number of Shares as shall be established for such Option grants from time to time by the Board of Directors. Each such Option shall (i) have an exercise price equal to the Fair Market Value (per share) on the date of grant of such Option, (ii) have a term of ten (10) years, and (iii) be exercisable in full immediately on the date of grant. Any director entitled to receive an Option grant under this Section may elect to decline the Option. If a Non-Employee Director ceases to be any of an Employee, Non-Employee Director, consultant or advisor of the Company, Options granted under this Section 6.3 shall remain exercisable to the extent such Options are exercisable on the date of such termination of service, for their full term, and the provisions of Sections 11 and 13 below shall not apply to any such Options.

6.4 *Limitation on Number of Options Granted.* Notwithstanding anything in this Plan to the contrary, no Participant shall be granted an aggregate of Options and/or Stock-Based Awards under this Plan in any calendar year for more than an aggregate of 600,000 Shares (subject to adjustment pursuant to Section 17 to the extent consistent with Section 162(m) of the Code).

7. TERMS AND CONDITIONS OF STOCK GRANTS

Each Stock Grant shall be set forth in a Stock Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Stock Agreement shall be in the form approved by the Administrator, with such changes and modifications to such form as the Administrator, in its discretion, shall approve with respect to any particular Participant or Participants. The Stock Agreement shall contain terms and conditions that the Administrator determines to be appropriate and in the best interest of the Company; provided, however, that the purchase price per share of the Shares covered by each Stock Grant shall not be less than the par value per Share. Each Stock Agreement shall state the number of Shares to which the Stock Grant pertains and the terms of any right of the Company to reacquire the Shares subject to the Stock Grant, including the time and events upon which such rights shall accrue and the purchase price therefor, and any restrictions on the transferability of such Shares.

8. TERMS AND CONDITIONS OF OTHER STOCK-BASED AWARDS

The Administrator shall have the right to grant other Stock-Based Awards having such terms and conditions as the Administrator may determine, including, without limitation, the grant of Shares based upon certain conditions, the grant of securities convertible into Shares and the grant of stock appreciation rights, phantom stock awards or stock units. The principal terms of each Stock-Based Award shall be set forth in a Stock Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Stock Agreement shall be in a form approved by the Administrator and shall contain terms and conditions that the Administrator determines to be appropriate.

9. EXERCISE OF OPTIONS AND ISSUANCE OF SHARES

An Option (or any part or installment thereof) shall be exercised by giving written notice to the Company or its designee, together with provision for payment of the full purchase price in accordance with this Section for the Shares as to which the Option is being exercised, and upon compliance with any other condition(s) set forth in the Stock Agreement. Such notice shall be signed by the person exercising the Option, shall state the number of Shares with respect to which the Option is being exercised and shall contain any representation required by the Plan or the Stock Agreement.

Payment of the purchase price for the Shares as to which such Option is being exercised shall be made (a) in United States dollars in cash or by check acceptable to the Administrator, or (b) at the discretion of the Administrator, (i) through delivery of shares of Common Stock not subject to any restriction under any plan and having a Fair Market Value equal as of the date of exercise to the cash exercise price of the Option, (ii) in accordance with a cashless exercise program established with a securities brokerage firm, and approved by the Company, (iii) by any other means (excluding, however, delivery of a promissory note of the Participant) that the Administrator determines to be consistent with the purpose of this Plan and applicable law, or (iv) by any combination of the foregoing. Notwithstanding the foregoing, the Administrator shall accept only such payment on exercise of an ISO as is permitted by Section 422 of the Code.

The Company shall then as soon as is reasonably practicable deliver the Shares as to which such Option was exercised to the Participant (or to the Participant's Survivors, as the case may be). It is expressly understood that the Company may delay the delivery of the Shares in order to comply with any law or regulation that requires the Company to take any action with respect to the Shares prior to their issuance. The Shares shall, upon delivery, be fully paid, non-assessable Shares.

10. ASSIGNABILITY AND TRANSFERABILITY OF STOCK RIGHTS

By its terms, a Stock Right granted to a Participant shall not be transferable by the Participant other than by will or by the laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder or as approved by the Administrator in its discretion and set forth in the applicable Stock Agreement, provided, however, that the Administrator shall not approve any transfer of a Stock Right for consideration. Except as provided in the preceding sentence or as otherwise permitted under a Stock Agreement, a Stock Right shall be exercisable, during the Participant's lifetime only by such Participant (or by his or her legal representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of any Stock Right or of any rights granted thereunder contrary to the provisions of this Plan, or the levy of any attachment or similar process upon a Stock Right, shall be null and void.

11. EFFECT ON STOCK RIGHTS OF TERMINATION OF SERVICE

11.1 Except as otherwise provided in the applicable Stock Agreement or as otherwise provided in Sections 12 or 13, if a Participant ceases to be an Employee, Non-Employee Director, consultant or advisor with the Company and its Affiliates (for any reason other than termination for "cause," or death) (a "Termination of Service") before the Participant has exercised all Stock Rights, the Participant may exercise any Stock Right granted to him or her to the extent that the Stock Right is exercisable on the date of such Termination of Service. Any such Stock Right must be exercised within three months after the date of the Participant's Termination of Service, unless otherwise provided in the applicable Stock Agreement, but in no event after the expiration of the term of the Stock Right.

11.2 The provisions of this Section, and not the provisions of Section 14, shall apply to a Participant who subsequently dies after the Termination of Service; provided, however, that in the case of a Participant's death within three (3) months after the Termination of Service, the Participant's Survivors may exercise the Stock Right within one (1) year after the date of the Participant's death, but in no event after the date of expiration of the term of the Stock Right.

11.3 Notwithstanding anything herein to the contrary, if subsequent to a Participant's Termination of Service, but prior to the exercise of a Stock Right, the Administrator determines that, either prior or subsequent to the Participant's Termination of Service, the Participant engaged in conduct which would constitute "cause" (as defined in Section 12), then such Participant shall forthwith cease to have any right to exercise any Stock Right. Stock Rights that consist of Shares issued under Stock Grants for which any restrictions on transfer or Company repurchase right shall have lapsed, shall be deemed for all purposes to have been "exercised."

11.4 Absence from work with the Company or an Affiliate because of temporary disability or a leave of absence for any purpose, shall not, during the period of any such absence in accordance with Company policies, be deemed, by virtue of such absence alone, a Termination of Service, except as the Administrator may otherwise expressly provide.

11.5 Except as required by law or as set forth in a Participant's Stock Agreement, Stock Rights granted under the Plan shall not be affected by any change of a Participant's status within or among the Company and any Affiliates, so long as the Participant continues to be an employee, director, consultant or advisor of the Company or any Affiliate.

12. EFFECT ON STOCK RIGHTS OF TERMINATION OF SERVICE FOR "CAUSE"

Except as otherwise provided in a Participant's Stock Agreement or as otherwise agreed in writing by the Administrator, if a Participant's service with the Company or an Affiliate is terminated for "cause," all outstanding and unexercised (vested or unvested) Stock Rights will immediately be forfeited as of the time the Participant is notified that his or her service is terminated for "cause." Stock Rights that consist of Shares issued under Stock Grants for which any restrictions on transfer or Company repurchase right shall have lapsed, shall be deemed for all purposes to have been "exercised." For purposes of this Plan, "cause" shall include (and is not limited to) dishonesty with respect to the Company and its Affiliates, insubordination, substantial malfeasance or non-feasance of duty, unauthorized disclosure of confidential information, breach by the Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or similar agreement between the Participant and the Company, and conduct substantially prejudicial to the business of the Company or any Affiliate. The determination of the Administrator as to the existence of cause will be conclusive on the Participant and the Company. "Cause" is not limited to events that have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of "cause" occur prior to termination of service. If the Administrator determines, subsequent to a Participant's termination of service but prior to the exercise of a Stock Right, that either prior or subsequent to the Participant's termination of service the Participant engaged in conduct which would constitute "cause,"

then the right to exercise any Stock Right shall be forfeited as set forth in this Section 12. Any definition in an agreement between a Participant and the Company or an Affiliate which contains a conflicting definition of "cause" for termination of service and which is in effect at the time of such termination of service shall supersede the definition in this Plan with respect to that Participant.

13. EFFECT ON STOCK RIGHTS OF DEATH WHILE AN EMPLOYEE, DIRECTOR, CONSULTANT OR ADVISOR

Except as otherwise provided in a Participant's Stock Agreement, in the event of death of a Participant while the Participant is an Employee, Non-Employee Director, consultant or advisor of the Company or of an Affiliate, any Stock Rights granted to such Participant may be exercised by the Participant's Survivors to the extent exercisable but not exercised on the date of death. Any such Stock Right must be exercised within one (1) year after the date of death of the Participant but in no event after the date of expiration of the term of the Stock Right, notwithstanding that the decedent might have been able to exercise the Stock Right as to some or all of the Shares on a later date if he or she had not died and had continued to be an Employee, Non-Employee Director, consultant or advisor.

14. RIGHTS AS A STOCKHOLDER

No Participant to whom a Stock Right (other than a Stock Grant) has been granted shall have rights as a stockholder with respect to any Shares covered by such Stock Right, except after due exercise thereof and/or tender of the full purchase price for the Shares being purchased pursuant to such exercise. The provisions of this Section 14 shall not be applicable to Shares issued pursuant to Stock Grants, provided that the Participant shall have tendered the purchase price therefore, notwithstanding the existence of stock transfer restrictions on or a Company repurchase right with respect to such Shares.

15. EMPLOYMENT OR OTHER RELATIONSHIP

Nothing in this Plan or any Stock Agreement shall be deemed to prevent the Company or an Affiliate from terminating the employment, consultancy or director status of a Participant, or to prevent a Participant from terminating his or her own employment, consultancy or director status or to give any Participant a right to be retained in employment or other service by the Company or any Affiliate for any period of time.

16. DISSOLUTION OR LIQUIDATION OF THE COMPANY

Upon the dissolution or liquidation of the Company (other than in connection with a transaction subject to the provisions of Section 17.2), all Stock Rights granted under this Plan which as of such date shall not have been exercised will terminate and become null and void; provided, however, that if the rights of a Participant or a Participant's Survivors have not otherwise terminated and expired, the Participant or Participant's Survivors will have the right immediately prior to such dissolution or liquidation to exercise any Stock Right to the extent that such Stock Right is exercisable as of the date immediately prior to such dissolution or liquidation. Upon the dissolution or liquidation of the Company, any outstanding Stock-Based Awards shall immediately terminate unless otherwise determined by the Administrator or specifically provided in the applicable Stock Agreement.

17. ADJUSTMENTS

Upon the occurrence of any of the following events, a Participant's rights with respect to any Stock Right granted to him or her hereunder that have not previously been exercised in full shall be adjusted

as hereinafter provided, unless otherwise specifically provided in the Stock Agreement or in any employment agreement between a Participant and the Company or an Affiliate:

17.1 *Stock Dividends and Stock Splits.* If the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, the number of shares of Common Stock subject to or deliverable upon the exercise of a Stock Right shall be appropriately increased or decreased, and appropriate adjustments shall be made in the purchase price per Share to reflect such event. The number of Shares subject to Options to be granted to Non-Employee Directors pursuant to Section 6.3 and the number of Shares subject to the limitation in Section 6.4 shall also be proportionately adjusted upon the occurrence of such events.

17.2 *Consolidations or Mergers.* In the event of a consolidation or merger in which the Company is not the surviving corporation or which results in the acquisition of substantially all the Company's outstanding stock by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of substantially all the Company's assets (any of the foregoing, an "Acquisition"), all then outstanding Stock Rights (excluding any Shares subject to Stock Grants as to which all Company repurchase rights shall have lapsed) shall terminate unless assumed pursuant to clause (i) below; provided that either (i) the Administrator shall provide for the surviving or acquiring entity or an affiliate thereof to assume the outstanding Stock Rights or grant replacement stock rights in lieu thereof, any such replacement to be upon an equitable basis as determined by the Administrator, or (ii) if there is no such assumption or substitution, all outstanding Stock Rights shall become immediately and fully exercisable and all Company repurchase rights with respect to Stock Rights shall lapse, in each case immediately prior to the Acquisition, notwithstanding any restrictions or vesting conditions set forth therein.

17.3 *Recapitalization or Reorganization.* In the event of a recapitalization or reorganization of the Company (other than a transaction described in Section 17.2 above) pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding shares of Common Stock, a Participant upon exercising a Stock Right shall be entitled to receive for the purchase price paid upon such exercise the securities he or she would have received if he or she had exercised such Stock Right prior to such recapitalization or reorganization.

17.4 *Adjustments to Stock Grants and Stock-Based Awards.* Upon the happening of any of the events described in Sections 17.1, 17.2 or 17.3, any outstanding Stock-Based Award and the Shares subject to any Stock Grant, vested or unvested, shall be appropriately adjusted to reflect the events described in such Sections. The Administrator shall determine the specific adjustments to be made under this Section 17.4.

17.5 *Modification of ISOs.* Notwithstanding the foregoing, any adjustments made pursuant to Section 17.1, 17.2 or 17.3 with respect to ISOs shall be made only after the Administrator determines whether such adjustments would constitute a "modification" of such ISOs (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holders of such ISOs. If the Administrator determines that such adjustments made with respect to ISOs would constitute a modification of such ISOs, it may refrain from making such adjustments, unless the holder of an ISO specifically requests in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such "modification" on his or her income tax treatment with respect to the ISO.

18. ISSUANCES OF SECURITIES

Except as expressly provided herein, no issuance (including for this purpose the delivery of shares held in treasury) by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the

number or price of Shares subject to Stock Rights. Except as expressly provided herein, no adjustments shall be made for dividends paid in cash or in property (including without limitation, securities) of the Company.

19. FRACTIONAL SHARES

No fractional share shall be issued under the Plan and the person exercising any Stock Right shall receive from the Company cash in lieu of any such fractional share equal to the Fair Market Value thereof.

20. CONVERSION OF ISOs INTO NON-QUALIFIED OPTIONS: TERMINATION OF ISOs

Any Options granted under this Plan that do not meet the requirements of the Code for ISOs shall automatically be deemed to be Non-Qualified Options without further action on the part of the Administrator. The Administrator, at the written request of any Participant, may in its discretion take such actions as may be necessary to convert such Participant's ISOs (or any portion thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the Participant is an employee of the Company or an Affiliate at the time of such conversion. At the time of such conversion, the Administrator (with the consent of the Participant) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Administrator in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in the Plan shall be deemed to give any Participant the right to have such Participant's ISOs converted into Non-Qualified Options, and no such conversion shall occur until and unless the Administrator takes appropriate action. The Administrator, with the consent of the Participant, may also terminate any portion of any ISO that has not been exercised at the time of such termination.

21. WITHHOLDING

If any federal, state, or local income taxes, employment taxes, Federal Insurance Contributions Act ("FICA") withholdings or other amounts are required by applicable law or governmental regulation to be withheld from the Participant's salary, wages or other remuneration in connection with the exercise of a Stock Right, the lapsing of a Company repurchase right or a Disqualifying Disposition (as defined in Section 22), the Company may withhold from the Participant' compensation, if any, or may require that the Participant advance in cash to the Company, or to any Affiliate of the Company which employs or employed the Participant, the amount of such withholdings unless a different withholding arrangement, including the use of shares of the Company's Common Stock, is authorized by the Administrator (and permitted by law). For purposes hereof, the Fair Market Value of any shares withheld for purposes of payroll withholding shall be determined in the manner provided in Section 1 above, as of the most recent practicable date prior to the date of exercise. If the Fair Market Value of the shares withheld is less than the amount of payroll withholdings required, the Participant may be required to advance the difference in cash to the Company or the Affiliate employer. The Administrator in its discretion may condition the exercise of an Option for less than the then Fair Market Value on the Participant's payment of such additional withholding. In no event shall shares be withheld from any award in satisfaction of tax withholding requirements in an amount that exceeds the statutory minimum amount of tax withholding required.

22. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION

Each Employee who receives an ISO must agree to notify the Company in writing immediately after the Employee makes a "Disqualifying Disposition" of any Shares acquired pursuant to the exercise of an ISO. A Disqualifying Disposition is any disposition (as defined in Section 424(c) of the Code) of such Shares before the later of (a) two years from the date the Employee was granted the

ISO, or (b) one year after the date the Employee acquired Shares by exercising the ISO. If the Employee has died before such Shares are sold, the notice provisions of this Section 22 shall not apply.

23. EFFECTIVE DATE; TERMINATION OF THE PLAN

This Plan shall be effective on March 29, 2006, the date of its adoption by the Board of Directors, subject to approval by the shareholders of the Company. The Plan will terminate on March 28, 2016. The Plan also may be terminated at an earlier date by vote of the Board of Directors. Termination of this Plan will not affect any Stock Rights granted or Stock Agreements executed prior to the effective date of such termination.

24. AMENDMENT OF THE PLAN; AMENDMENT OF STOCK RIGHTS

The Plan may be amended by the stockholders of the Company by affirmative vote of a majority of the votes cast at a meeting of the stockholders at which a quorum is present. The Plan also may be amended by the Board of Directors or the Administrator, including, without limitation, to the extent necessary to qualify any or all outstanding Stock Rights granted under the Plan or Stock Rights to be granted under the Plan for favorable federal income tax treatment (including deferral of taxation upon exercise) as may be afforded incentive stock options under Section 422 of the Code, and to the extent necessary to qualify the shares issuable upon exercise of any outstanding Stock Rights granted, or Stock Rights to be granted, under the Plan for listing on any national securities exchange or quotation in any national automated quotation system of securities dealers. Any amendment approved by the Administrator that the Administrator determines is of a scope that requires stockholder approval shall be subject to stockholder approval. No modification or amendment of the Plan shall adversely affect a Participant's rights under a Stock Right previously granted to the Participant, without such Participant's consent.

In its discretion, the Administrator may amend any term or condition of any outstanding Stock Right, provided: (i) such term or condition is not prohibited by the Plan; (ii) if the amendment is adverse to the Participant, such amendment shall be made only with the consent of the Participant or the Participant's Survivors, as the case may be; and (iii) any such amendment of any ISO shall be made only after the Administrator determines whether such amendment would constitute a "modification" of any Stock Right which is an ISO (as that term is defined in Section 424(h) of the Code) or would cause any adverse tax consequences for the holder of such ISO (in which case, the Participant's or Participant's Survivors' consent to such amendment shall be required). Notwithstanding the foregoing, the Administrator shall not have the authority to reduce the exercise price of any Option after the date of grant, except for adjustments permitted under Section 17 of this Plan.

25. GOVERNING LAW

This Plan shall be construed and enforced in accordance with the law of The Commonwealth of Massachusetts.

QuickLinks

Exhibit 10.8

VERTEX PHARMACEUTICALS INCORPORATED
EMPLOYEE STOCK PURCHASE PLAN
(as amended and restated)

ARTICLE 1
PURPOSE AND DEFINITIONS

SECTION 1.1. PURPOSE. The purpose of the Vertex Pharmaceuticals Incorporated Employee Stock Purchase Plan is to provide employees with an opportunity to purchase Common Stock in the Company through payroll deductions, thereby encouraging employees to share in the economic growth and success of the Company through stock ownership.

SECTION 1.2. DEFINITIONS. Whenever used in the Plan, unless the context clearly indicates otherwise, the following terms shall have the following meanings:

(a) "BENEFICIARY" with respect to a Participant, means the beneficiary designated by the Participant under the group term life insurance plan maintained by the Company or such other beneficiary as may be designated by a Participant for purposes of this Plan.

(b) "BOARD OF DIRECTORS" means the Board of Directors of the Company.

(c) "CODE" means the Internal Revenue Code of 1986, as the same may be amended from time to time, and references thereto shall include the valid Treasury regulations issued thereunder.

(d) "COMMITTEE" means the Management Development and Compensation Committee of the Board of Directors or such other committee of the Board of Directors designated by the Board of Directors to administer the Company's equity compensation plans.

(e) "COMMON STOCK" means shares of the $.01 par value common stock of the Company and any other stock or securities resulting from the adjustment thereof or substitution therefor as described in Section 3.4.

(f) "COMPANY" means Vertex Pharmaceuticals Incorporated or any successor by merger, purchase, or otherwise.

(g) "COMPENSATION" means the cash compensation received by an Employee for services, including pre-tax employee compensation made to the Company's 401(k) savings plan, but not including overtime or bonuses.

(h) "EFFECTIVE DATE" means July 1, 1992.

(i) "ELECTION" means an election by a Participant to terminate an Offering Period on the first Purchase Date of such Offering Period, which election shall be made within such Offering Period and prior to such First Purchase Date and shall be in writing on a form furnished by the Company for such purpose and shall be made by having such Participant complete, sign and file such form with the Company in the manner prescribed by the Company.

(j) "EMPLOYEE" means any person who receives a regular stated compensation from the Company or a Subsidiary other than a pension, severance pay, retainer, or fee under contract.

(k) "FAIR MARKET VALUE" of a Share of Common Stock on a particular date shall be the average of the highest and lowest quoted selling prices on such date (the "valuation date") on the securities market where the Common Stock of the Company is traded, or if there were no sales on the valuation date, on the next preceding date within a reasonable period (as determined in the sole discretion of the Committee) on which there were sales. In the event

that there were no sales in such a market within a reasonable period, the fair market value shall be as determined in good faith by the Committee in its sole discretion. The Fair Market Value as determined in this paragraph shall be rounded down to the next lower whole cent if the foregoing calculation results in fractional cents.

(l) "OFFERING" means the offering of shares of Common Stock to Participants pursuant to this Plan.

(m) "OFFERING DATE" means each May 15 and November 15. If any such date shall fall other than on a business day, then the Offering Date shall be the next succeeding business day.

(n) "OFFERING PERIOD" means either (i) the period from an Offering Date through the second Purchase Date following such Offering Date or (ii) if a Participant validly exercises an Election, the period from an Offering Date through the first Purchase Date following such Offering Date.

(o) "PARTICIPANT" means an Employee who has elected to participate in the Plan.

(p) "PURCHASE DATE" means each May 14 and November 14.

(q) "PLAN" means the Vertex Pharmaceuticals Incorporated Employee Stock Purchase Plan, an "employee stock purchase plan" within the meaning of Section 423(b) of the Code, together with any and all amendments thereto.

(r) "STOCK PURCHASE ACCOUNT," with respect to a Participant, means the account established on the books and records of the Company or a Subsidiary for such Participant representing the payroll deductions credited to such account in accordance with the provisions of the Plan.

(s) "SUBSIDIARY" means any corporation, fifty percent (50%) or more of the total combined voting power of all classes of stock of which is beneficially owned, directly or indirectly, by the Company.

ARTICLE II
PARTICIPATION

SECTION 2.1. PARTICIPATION REQUIREMENTS.

(a) COMMENCEMENT OF PARTICIPATION. Subject to Section 2.2 and Section 3.2(b), each person who becomes an Employee after the Effective Date may become a Participant in the Plan on any Offering Date following the date on which such person becomes an Employee.

(b) ELIGIBILITY OF FORMER PARTICIPANTS. If a person terminates employment with the Company after becoming a Participant and subsequently resumes employment with the Company, such person will again become eligible to participate on the Offering Date next following such resumption of employment with the Company.

SECTION 2.2. *EXCLUSIONS.* Notwithstanding any provision of the Plan to the contrary, in no event shall the following persons be eligible to participate in the Plan:

(a) Any Employee whose customary employment is twenty (20) hours or less per week;

(b) Any Employee whose customary employment is for not more than five (5) months in any calendar year; or

(c) Any Employee who, as of the beginning of an Offering Period, owns (or under Section 423(b)(3) of the Code would be deemed to own) stock possessing five percent (5%)

or more of the total combined voting power or value of all classes of stock of the Company or a Subsidiary.

ARTICLE III
OFFERING OF COMMON STOCK

SECTION 3.1. RESERVATION OF COMMON STOCK. The Board of Directors shall reserve 1,748,660 shares of Common Stock for issuance under the Plan after March 17, 2004, subject to adjustment in accordance with Section 3.4, provided that no more than 248,660 of such shares shall be issued prior to May 15, 2004. On May 13, 2008, the Board of Directors shall reserve an additional 2,000,000 shares of Common Stock for issuance under the Plan.

SECTION 3.2. OFFERING OF COMMON STOCK.

(a) GENERAL. Subject to Section 3.2(b), each Participant in the Plan on an Offering Date shall be entitled to purchase shares of Common Stock on each Purchase Date within the Offering Period that begins with such Offering Date with the amounts deducted from such Participant's Compensation during such Offering Period pursuant to Article IV, provided, however, that a Participant shall not participate in more than one Offering Period simultaneously. The purchase price for such shares of Common Stock shall be determined under Section 3.3.

(b) LIMITATIONS. Notwithstanding Section 3.2(a), no employee may accrue rights to purchase shares of Common Stock attributable to an Offering Period in excess of $25,000 of fair market value of such shares (measured as of the relevant Offering Date) for each calendar year during which such rights are outstanding. For any year, this limit shall be further reduced by the fair market value of stock (measured as of the relevant Offering Date for such stock) purchasable under any prior outstanding rights relating to such calendar year under this Plan and all other Code section 423 employee stock purchase plans of the Company or any Subsidiary. This paragraph is intended to be consistent with the limitation of Code section 423(b)(8) and shall be interpreted accordingly.

SECTION 3.3. DETERMINATION OF PURCHASE PRICE FOR OFFERED COMMON STOCK. The purchase price per share of the shares of Common Stock to be acquired by a Participant on a Purchase Date pursuant to an Offering shall be equal to eighty-five percent (85%) of the lesser of:

(a) the Fair Market Value of a share of Common Stock on the Offering Date for such Offering Period; or

(b) the Fair Market Value of a share of Common Stock on such Purchase Date;

provided, however, in no event shall the purchase price be less than the par value of a share of Common Stock.

SECTION 3.4. EFFECT OF CERTAIN TRANSACTIONS. The number of shares of Common Stock reserved for the Plan pursuant to Section 3.1, the maximum number of shares of Common Stock offered pursuant to Section 3.2(b), and the determination under Section 3.3 of the purchase price per share of the shares of Common Stock offered to Participants pursuant to an Offering shall be appropriately adjusted to reflect any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, a consolidation of shares, the payment of a stock dividend, or any other capital adjustment affecting the number of issued shares of Common Stock. In the event that the outstanding shares of Common Stock shall be changed into or exchanged for a different number or kind of shares of stock or other securities of the Company or another corporation, whether through reorganization, recapitalization, merger, consolidation, or otherwise, then there shall be substituted for each share of Common Stock reserved for issuance under the Plan but not yet purchased by

Participants, the number and kind of shares of stock or other securities into which each outstanding share of Common Stock shall be so changed or for which each such share shall be exchanged.

ARTICLE IV
PAYROLL DEDUCTIONS

SECTION 4.1. PAYROLL DEDUCTION ELECTIONS. Any Employee eligible to participate in the Plan may elect to have the Company deduct from the Compensation payable to such Employee during each Offering Period any amount between one percent (1%) and fifteen percent (15%) of such Participant's Compensation, in whole multiples of one percent (1%). Such election shall be made during the thirty day period preceding the Offering Period to which it first relates. Such election shall become effective as of the first day of such Participant's first pay period that begins on or after the first day of such Offering Period and shall remain effective for each successive pay period and for each subsequent Offering until changed or terminated pursuant to this Article IV. The percentage deduction specified by the Participant will be deducted from each payment of Compensation made to the Participant.

SECTION 4.2. ELECTION TO INCREASE OR DECREASE PAYROLL DEDUCTIONS. Subject to Section 4.4, a Participant who has a payroll deduction election in effect under Section 4.1 may prospectively increase or decrease during an Offering Period the percentage amount of the deductions being made by the Company from such Participant's Compensation (including a decrease to zero) by delivering to the Company written direction to make such change. Such change shall become effective as soon as practicable after the Company's receipt of such written direction and shall remain in effect until changed or terminated pursuant to this Article IV. A Participant shall be permitted to increase or decrease the percentage amount of the deductions being made from such Participant's Compensation only once during each of the portions of an Offering Period that ends on a Purchase Date; provided, however, a Participant may terminate the deductions being made from such Participant's Compensation at any time during such Offering Period. If a Participant terminates deductions, such Participant cannot resume deductions during that Offering Period.

SECTION 4.3. TERMINATION OF ELECTION UPON TERMINATION OF EMPLOYMENT. The termination of employment of a Participant for any reason shall automatically terminate the election of such Participant to have amounts deducted from such Participant's Compensation pursuant to this Article IV that is then in effect. Such termination shall be effective immediately following the pay period during which such termination of employment occurs, but shall not affect the deduction from Compensation for that pay period.

SECTION 4.4. FORM OF ELECTIONS. Except as otherwise permitted by the Company, any election by a Participant regarding participation in or withdrawal from the Plan or deductions from Compensation pursuant to this Article IV shall be in writing on a form furnished by the Company for such purpose and shall be made by having such Participant file such form with the Company in the manner prescribed from time to time by the Company.

ARTICLE V
STOCK PURCHASE ACCOUNTS AND PURCHASE OF COMMON STOCK

SECTION 5.1. STOCK PURCHASE ACCOUNTS. A Stock Purchase Account shall be established and maintained on the books and records of the Company for each Participant. Amounts deducted from a Participant's Compensation pursuant to Article IV shall be credited to such Participant's Stock Purchase Account. No interest or other increment shall accrue or be payable to any Participant with respect to any amounts credited to such Stock Purchase Accounts. All amounts credited to such Stock Purchase Accounts shall be withdrawn, paid, or applied toward the purchase of Common Stock pursuant to the provisions of this Article V.

SECTION 5.2. PURCHASE OF COMMON STOCK.

(a) GENERAL. As of each Purchase Date, the amount to the credit of a Participant in such Participant's Stock Purchase Account shall be used to purchase from the Company on such Participant's behalf the largest number of whole shares of Common Stock which can be purchased at the price determined under Section 3.3 with the amount then credited to such Participant's Stock Purchase Account, subject to the limitations set forth in Article III on the maximum number of shares of Common Stock such Participant may purchase. As of such date, such Participant's Stock Purchase Account shall be charged with the aggregate purchase price of the shares of Common Stock purchased on such Participant's behalf. No brokerage or other fees are to be charged upon a purchase. Stock transfer taxes, if any, shall be paid by the Company. The remaining balance, if any, credited to such Participant's Stock Purchase Account shall be carried forward and used to purchase shares of Common Stock on the next succeeding Purchase Date; provided that any excess balance remaining in a Participant's Stock Purchase Account after the application of the limitations in Section 3.2 shall be refunded to the Participant.

(b) ISSUANCE OF COMMON STOCK. The shares of Common Stock purchased for a Participant as of a Purchase Date shall be deemed to have been issued by the Company for all purposes as of the close of business on such date. Prior to such date, none of the rights and privileges of a stockholder of the Company shall exist with respect to such shares of Common Stock. As soon as practicable after such a Purchase Date the Company shall issue and deliver, or shall cause its stock transfer agent to issue and deliver, a certificate for the number of shares of Common Stock purchased for a Participant, which certificate shall be issued in the Participant's name or, if so specified by the Participant, in the name of the Participant and such other person as the Participant shall designate as joint tenants with right of survivorship. In lieu of issuing a certificate, the Company may elect to deliver to the Participant a statement which shall indicate the number of shares of Common Stock purchased for such Participant and the aggregate number of shares of Common Stock held on behalf of such Participant under the Plan.

(c) INSUFFICIENT COMMON STOCK AVAILABLE. If, as of any Purchase Date, the aggregate Stock Purchase Accounts available for the purchase of shares of Common Stock pursuant to Section 5.2(a) would purchase a number of shares of Common Stock in excess of the number of shares of Common Stock then available for purchase under the Plan, (i) the number of shares of Common Stock which would otherwise be purchased for each Participant on such date shall be reduced proportionately to the extent necessary to eliminate such excess, (ii) the remaining balance to the credit of each Participant in each such Participant's Stock Purchase Accounts shall be distributed to each such Participant, and (iii) the Plan shall terminate automatically upon the distribution of the remaining balance in such Stock Purchase Accounts.

SECTION 5.3. WITHDRAWAL FROM PLAN PRIOR TO PURCHASE OF COMMON STOCK. In the event (i) a Participant elects in writing for any reason to withdraw from the Plan during an Offering Period or (ii) a Participant's employment with the Company terminates for any reason prior to the end of an Offering Period, then the entire amount remaining to the credit of such Participant in such Participant's Stock Purchase Account shall be distributed to such Participant (or, if such Participant is deceased, to such Participant's Beneficiary) as soon as administratively practicable after such withdrawal or termination of employment (as the case may be).

ARTICLE VI
COMMITTEE

SECTION 6.1. POWERS OF THE COMMITTEE. The Committee shall administer the Plan. The Committee shall have all powers necessary to enable it to carry out its duties under the Plan properly. Not in limitation of the foregoing, the Committee shall have the power to construe and interpret the Plan and to determine all questions that shall arise thereunder. The decision of the Committee upon all matters within the scope of its authority shall be final and conclusive on all persons, except to the extent otherwise provided by law.

SECTION 6.2. INDEMNIFICATION OF THE COMMITTEE. The Company agrees to indemnify and hold harmless the members of the Committee against any liabilities, loss, costs, or damage that they may incur in acting as such members and to assume the defense of any and allocations, suits, or proceedings against the members of the Committee, to the extent permitted by applicable law.

ARTICLE VII
AMENDMENT AND TERMINATION

SECTION 7.1. AMENDMENT OF THE PLAN. The Company expressly reserves the right, at any time and from time to time, to amend in whole or in part any of the terms and provisions of the Plan; provided, however, no amendment may without the approval of the shareholders of the Company increase the number of shares of Common Stock reserved under the Plan.

SECTION 7.2. TERMINATION OF PLAN. The Company expressly reserves the right, at any time and for whatever reason it may deem appropriate, to terminate the Plan. The Plan shall continue in effect until terminated pursuant to (i) the preceding sentence or (ii) Section 5.2(c). Upon any termination of the Plan, the entire amount credited to the Stock Purchase Account of each Participant shall be distributed to each such Participant.

SECTION 7.3. PROCEDURE FOR AMENDMENT OR TERMINATION. Any amendment to the Plan or termination of the Plan may be retroactive to the extent not prohibited by applicable law. Any amendment to the Plan or termination of the Plan shall be made by the Company by resolution of the Board of Directors (subject to Section 7.1) and shall not require the approval or consent of any Participant or Beneficiary in order to be effective.

ARTICLE VIII
MISCELLANEOUS

SECTION 8.1. ADOPTION BY A SUBSIDIARY. A Subsidiary may, with the approval of the Board of Directors and the board of directors of such Subsidiary, elect to adopt the Plan as of a date mutually agreeable to the Board of Directors and the board of directors of such Subsidiary. Any such adoption of the Plan by a Subsidiary shall be evidenced by an appropriate instrument of adoption executed by such Subsidiary.

SECTION 8.2. AUTHORIZATION AND DELEGATION TO THE BOARD OF DIRECTORS. Each Subsidiary that hereafter adopts the Plan authorizes the Board of Directors (i) to amend or terminate the Plan without further action by said Subsidiary as provided in Article VII and (ii) to perform such other acts and to do such other things as the Board of Directors is expressly directed, authorized, or permitted to perform or do as provided herein.

SECTION 8.3. TRANSFERABILITY OF RIGHTS. Rights under the Plan are not transferable by a Participant other than by will or the laws of descent and distribution and are exercisable during a Participant's lifetime only by the Participant.

SECTION 8.4. NO EMPLOYMENT RIGHTS. Participation in the Plan shall not give any employee of the Company or any Subsidiary any right to remain employed or, upon termination of employment, any right or interest in the Plan, except as expressly provided herein.

SECTION 8.5. COMPLIANCE WITH LAW. No shares of Common Stock shall be issued under the Plan prior to compliance by the Company to the satisfaction of its counsel with any applicable laws.

SECTION 8.6. CONSTRUCTION. Article, Section, and paragraph headings have been inserted in the Plan for convenience of reference only and are to be ignored in any construction of the provisions hereof. If any provision of the Plan shall be invalid or unenforceable, the remaining provisions shall nevertheless be valid, enforceable, and fully effective. It is the intent that the Plan shall at all times constitute an "employee stock purchase plan" within the meaning of Section 423(b) of the Code, and the Plan shall be construed, and interpreted to remain such. The Plan shall be construed, administered, regulated, and governed by the laws of the United States to the extent applicable, and to the extent such laws are not applicable, by the laws of The Commonwealth of Massachusetts. Without limiting the foregoing, all Participants for an Offering Period shall have the same rights and privileges with respect to their rights to acquire Common Stock under the Plan for such period, subject to the express terms hereof.

QuickLinks

Exhibit 31.1

CERTIFICATION

I, Joshua S. Boger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Pharmaceuticals Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2008

/s/ JOSHUA S. BOGER

Joshua S. Boger
President and Chief Executive Officer

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Exhibit 31.2

CERTIFICATION

I, Ian F. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Vertex Pharmaceuticals Incorporated;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2008

/s/ IAN F. SMITH

Ian F. Smith
Executive Vice President and Chief Financial Officer

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Exhibit 32.1

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350,
Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Vertex Pharmaceuticals Incorporated, a Massachusetts corporation (the "Company"), does hereby certify, to such officer's knowledge, that the Quarterly Report on Form 10-Q for the quarter ended June 30, 2008 (the "Form 10-Q") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: August 11, 2008

/s/ JOSHUA S. BOGER

Joshua S. Boger
President and Chief Executive Officer
(principal executive officer)

Dated: August 11, 2008

/s/ IAN F. SMITH

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

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