As filed with the Securities and Exchange Commission on August 14, 2000

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2000, or

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

For transition period from _____.

Commission File Number 0-27352

HYBRIDON, INC.
(Exact name of registrant as specified in its charter)

Delaware	04-3072298
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

155 Fortune Blvd.
Milford, Massachusetts 07157
(Address of principal executive offices)

(508) 482-7500
(Registrant's telephone number, including area code)

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

Yes [X} No__

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

Class	Outstanding as of August 4, 2000
Common Stock, par value $.001 per share	17,789,444

HYBRIDON, INC.

FORM 10-Q

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Signatures

HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

ASSETS

	June 30, 2000	December 31, 1999
CURRENT ASSETS:		
Cash and cash equivalents	$ 310,129	$ 2,551,671
Prepaid expenses and other current assets	46,092	101,914
Total current assets	356,221	2,653,585
PROPERTY AND EQUIPMENT, AT COST:		
Leasehold improvements	150,342	150,342
Laboratory and other equipment	5,200,727	5,249,620
	5,351,069	5,399,962
Less--Accumulated depreciation and amortization	5,259,432	5,229,514
	91,637	170,448
OTHER ASSETS:		
Deferred financing costs and other assets	1,196,587	1,325,149
Notes receivable from officers	275,750	270,050
	1,472,337	1,595,199
NET ASSETS FROM DISCONTINUED OPERATIONS	5,005,380	6,091,025
	$ 6,925,575	$ 10,510,257

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Current portion of long-term debt	$ 13,736,943	$ 6,000,000
Accounts payable	837,343	1,081,796
Accrued expenses	1,931,108	2,094,988
Total current liabilities	16,505,394	9,176,784
9% CONVERTIBLE SUBORDINATED NOTES PAYABLE	1,306,000	1,306,000
8% CONVERTIBLE SUBORDINATED NOTES PAYABLE	-	6,099,776
STOCKHOLDERS' DEFICIT:		
Preferred stock, $.01 par value-		
Authorized--5,000,000 shares		
Series A convertible preferred stock-		
Designated - 1,500,000 shares		
Issued and outstanding--628,115 and 661,856 shares at June 30, 2000 and December 31, 1999, respectively (Liquidation preference of $63,799,772 at June 30, 2000)	6,281	6,618
Common stock, $.001 par value-		
Authorized--100,000,000 shares		
Issued and outstanding - 17,610,779 and 16,260,722 shares at June 30, 2000 and December 31, 1999, respectively	17,611	16,261
Additional paid-in capital	249,924,660	247,813,331
Accumulated deficit	(260,413,161)	(253,183,130)
Deferred compensation	(421,210)	(725,383)
Total stockholders' deficit	(10,885,819)	(6,072,303)
	$ 6,925,575	$ 10,510,257

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

HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2000	1999	2000	1999
REVENUES:				
Service revenue	$ -	$ 72,500	$ -	$ 182,500
Research and development	-	150,000	45,000	300,000
Interest income	15,734	16,383	50,375	69,184
Royalty and other income	25,189	14,755	57,637	54,980
	40,923	253,638	153,012	606,664
OPERATING EXPENSES:				
Research and development	859,955	1,019,076	2,032,722	2,417,151
General and administrative	874,691	940,987	1,777,884	2,062,455
Interest	558,928	150,123	905,004	302,949
	2,293,574	2,110,186	4,715,610	4,782,555
Net loss from continuing operations	(2,252,651)	(1,856,548)	(4,562,598)	(4,175,891)
Net loss from discontinued operations	(181,931)	(777,905)	(575,946)	(1,424,754)
NET LOSS	$ (2,434,582)	$ (2,634,453)	$ (5,138,544)	$ (5,600,645)
ACCRETION OF PREFERRED STOCK DIVIDENDS	1,020,687	1,075,900	2,091,487	2,117,952
NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (3,455,269)	$ (3,710,353)	$ (7,230,031)	$ (7,718,597)
BASIC AND DILUTED LOSS PER COMMON SHARE FROM (Note 3):				
Continuing Operations	$ (0.13)	$ (0.12)	$ (0.27)	$ (0.27)
Discontinued Operations	(0.01)	(0.05)	(0.03)	(0.09)
NET LOSS PER SHARE	(0.14)	(0.17)	(0.31)	(0.36)
ACCRETION OF PREFERRED STOCK DIVIDENDS	(0.06)	(0.07)	(0.12)	(0.14)
NET LOSS PER SHARE APPLICABLE TO COMMON STOCKHOLDERS	$ (0.20)	$ (0.24)	$ (0.43)	$ (0.50)
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE (Note 3)	17,243,450	15,661,492	16,758,985	15,483,158

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

Hybridon, Inc. and Subsidiaries

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended June 30,	
	2000	1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (5,138,544)	$ (5,600,645)
Net loss from discontinued operations	(575,946)	(1,424,754)

Net loss from continuing operations	(4,562,598)	(4,175,891)
Adjustments to reconcile net loss to net cash used in operating activities-		
Depreciation and amortization	78,811	303,745
Amortization of deferred compensation	304,173	441,452
Amortization of deferred financing costs	229,963	53,967
Non-cash interest expense	151,077	-
Changes in operating assets and liabilities-		
Prepaid and other current assets	55,822	8,677
Notes receivable from officers	(5,700)	(5,700)
Accounts payable and accrued expenses	(408,333)	(644,958)
Net cash used in continuing operating activities	(4,156,785)	(4,018,708)
Net cash provided by/(used in) discontinued operations	509,699	(269,551)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Increase in other assets	(101,401)	-
Purchases of property and equipment, net	-	(8,302)
Net cash used in investing activities	(101,401)	(8,302)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	20,855	-
Proceeds from issuance of convertible promissory notes payable	1,486,090	-
Net cash provided by financing activities	1,506,945	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,241,542)	(4,296,561)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,551,671	5,607,882
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 310,129	$ 1,311,321
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 592,898	$ 337,394
SUPPLEMENTAL DISCLOSURE OF NON CASH ACTIVITIES:		
Accretion of Series A convertible preferred stock dividend	$ 2,091,487	$ 2,117,952
Issuance of common stock in lieu of services	$ -	$ 1,000,000

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

Hybridon, Inc. and Subsidiaries

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

(1) ORGANIZATION

Hybridon, Inc. (the Company) was incorporated in the State of Delaware on May 25, 1989. The Company is engaged in the discovery and development of novel genetic medicines based primarily on antisense technology.

Since inception, the Company has been engaged primarily in research and development efforts, development of its manufacturing capabilities and organizational efforts, including recruiting of scientific and management personnel and raising capital. To date, the Company has not received revenue from the sale of biopharmaceutical products developed by it based on antisense technology. In order to commercialize its own products, the Company will need to address a number of technological challenges and

comply with comprehensive regulatory requirements. Accordingly, it is not possible to predict the amount of funds that will be required or the length of time that will pass before the Company receives revenues from sales of any of these products. All revenues received by the Company to date have been derived from collaboration and licensing agreements, interest on investment funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by the Company's Hybridon Specialty Products business.

On June 29, 2000, the Company entered into an Asset Purchase Agreement (see Note 9) to sell the assets of its Hybridon Specialty Products business to Boston Biosystems, Inc., a Delaware corporation which is a wholly owned subsidiary of Avecia, Inc., for an amount up to $15.0 million (this sale, the Asset Sale). Consummation of the Asset Sale is subject to approval by the Company's Common and Preferred shareholders.

On May 30, 2000, the Company entered into a Line of Credit Agreement (see Note 8) pursuant to which certain lenders (the LOC Lenders) agreed to provide the Company with an 8%, $2.0 million credit facility (the Line of Credit or LOC) which is intended to provide the Company with working capital pending the closing of the Asset Sale. On July 10, 2000, the Company drew down approximately $0.5 million under the Line of Credit.

The Company's existing cash resources, including the LOC, are expected to be sufficient to fund operations into the fourth quarter of 2000. The Company expects the Asset Sale to be completed by the end of September 2000. If the Asset Sale is not completed, the Company's existing cash resources and the LOC may not be sufficient to fund its operations and permit the company to avoid a default under one or more of its outstanding debt obligations. The Company's ability to continue operations would then depend on the willingness of its obligors to waive any such default and on its success in obtaining new funding from future sales of equity securities, debt financings and research and development collaborations.

(2) UNAUDITED INTERIM FINANCIAL STATEMENTS

The unaudited consolidated condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include, in the opinion of management, all adjustments, consisting of normal, recurring adjustments, necessary for a fair presentation of interim period results. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. The Company believes, however, that its disclosures are adequate to make the information presented not misleading. The results for the interim periods presented are not necessarily indicative of results to be expected for the full fiscal year. The financial statements of the Company have been restated to reflect the financial results of the Hybridon Specialty Products business as a discontinued operation for the periods ended June 30, 1999, and December 31, 1999. It is suggested that these financial statements be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1999, as filed with the Securities and Exchange Commission.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Loss per Common Share

The Company follows the provisions of Statement of Financial Accounting Standards (SFAS) No. 128, Earnings per Share. Under SFAS No. 128, basic net loss per share applicable to common shareholders is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is the same as basic net loss per common as the effects of the Company's potential common stock equivalents are antidilutive. The Company's potential common stock equivalents as of June 30, 2000 include 6,102,532 shares of common stock

options and 13,277,365 shares of common stock warrants.

Comprehensive Loss

The Company follows the provisions of SFAS No. 130, Reporting Comprehensive Income. Comprehensive loss is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources. The Company's comprehensive loss is the same as the reported net loss for all periods presented.

Segment Reporting

The Company follows the provisions of SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be reported in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services and geographic areas. To date, the Company has viewed its operations and manages its business as principally one operating segment. As a result, the financial information disclosed herein, represents all of the material financial information related to the Company's principal operating segment. All of the Company's revenues are generated in the United States and substantially all assets are located in the United States.

Reclassification

Certain prior year account balances have been reclassified to be consistent with current year's presentation.

(4) CASH EQUIVALENTS

The Company considers all highly liquid investments with maturities of ninety days or less when purchased to be cash equivalents. Cash and cash equivalents at June 30, 2000 and December 31, 1999 consisted of the following (at amortized cost, which approximates fair market value):

	June 30, 2000	December 31, 1999
Cash and cash equivalents-		
Cash and money market funds	$ 214,278	$ 505,794
Corporate bonds	95,851	2,045,877
	$ 310,129	$ 2,551,671

(5) 9.0% CONVERTIBLE SUBORDINATED NOTES

On April 2, 1997, the Company issued $50.0 million of 9.0% convertible subordinated notes (the 9% Notes). On May 5, 1998 noteholders holding $48.6 million of principal value of the 9% Notes tendered such notes in exchange for Series A convertible preferred stock. Approximately $2,355,000 of accrued interest thereon was converted into shares of Series A convertible preferred stock and warrants to purchase common stock. As of June 30, 2000, there is $1.3 million of 9% Notes outstanding. Under the terms of the 9% Notes, the Company must make semi-annual interest payments on the outstanding principal balance through the maturity date of April 1, 2004. The 9% Notes are convertible at any time prior to the maturity date at a conversion price equal to $35.0625 per share, subject to adjustment under certain circumstances, as defined.

Beginning April 1, 2000, the Company may redeem the 9% Notes at its option for a 4.5% premium over the original issuance price, provided that from April 1, 2000 to March 31, 2001, the 9% Notes may not be redeemed unless the closing price of the common stock equals or exceeds 150% of

the conversion price for a period of at least 20 out of 30 consecutive trading days and the 9% Notes are redeemed within 60 days after such trading period. The premium decreases by 1.5% each year through March 31, 2003. Upon a change of control of the Company, as defined, the Company will be required to offer to repurchase the 9% Notes at 150% of the original issuance price.

(6) $6.0 MILLION LOAN

During November 1998, the Company obtained a $6.0 million loan pursuant to a loan agreement with Forum Capital Markets, LLC (Forum) and certain investors associated with Pecks Management Partners Ltd. (collectively, the Lender). The terms of the loan are as follows: (i) the maturity is November 30, 2003; (ii) the interest rate is 8%; (iii) interest is payable monthly in arrears, with the principal due in full at maturity of the loan; (iv) the loan is convertible, at the Lender's option, in whole or in part, into shares of common stock at a rate equal to $2.40 per share; (v) the loan agreement includes covenants to maintain minimum liquidity of $2.0 million and minimum tangible net worth of $6.0 million; and (vi) the loan may not be prepaid, in whole or in part, at any time prior to December 1, 2000. The Company is not in compliance with the minimum

tangible net worth requirement or the minimum liquidity covenant, but it has received waivers of noncompliance with these covenants through September 30, 2000. The Company has classified the outstanding balance of $6.0 million at June 30, 2000 as a current liability in the accompanying consolidated balance sheet as it does not expect to remain in compliance with the financial covenants. For its role in arranging the loan agreement, Forum received $0.4 million, which Forum reinvested by purchasing 160,000 shares of common stock with 40,000 attached warrants with an exercise price of $3.00 per share. The Company has recorded the $0.4 million as a deferred financing cost, which will be amortized to interest expense over the term of the note. In addition, Forum received warrants to purchase 133,333 shares of common stock of the Company at $3.00 per share. The Company computed the value of the warrants to be $85,433, using the Black-Scholes option-pricing model. The Company has recorded this $85,433 as a deferred financing cost, which will be amortized to interest expense over the term of the note.

(7) 8.0% CONVERTIBLE SUBORDINATED NOTES

In March 2000, the Company completed its offering of the 8% Convertible Subordinated Notes (the 8% Convertible Notes). As of June 30, 2000, the Company had received approximately $7.6 million in principal with respect to the 8% Convertible Notes. Under the terms of the 8% Convertible Notes, the Company must make semiannual interest payments on the outstanding principal balance through the maturity date of November 30, 2002. The 8% Convertible Notes are convertible at any time prior to the maturity date at a conversion price equal to $0.60 per share of common stock (the Conversion Ratio), subject to adjustment under certain circumstances, as defined. If the 8% Convertible Notes are prepaid before the maturity date, all noteholders are entitled to receive warrants to purchase the number of shares of common stock equal to the number of shares of common stock that would be issued using the Conversion Ratio, with an exercise price of $0.60 per share of common stock.

In connection with the 8% Convertible Notes, the Company must comply with certain covenants. These covenants include, without limitation, the requirement that the Company make all payments of interest when due and maintain consolidated cash balances of at least $1.5 million as of the last day of any calendar month. While as of June 30, 2000, the Company is not in compliance with the covenant regarding consolidated cash balances, it has received waivers of noncompliance. Because there is no guaranty that the Company will receive waivers in the future, the Company has classified the outstanding balance on the 8% Convertible Notes as a current liability in the accompanying consolidated balance sheet as of June 30, 2000. If an event of default (as defined) occurs, the noteholders may declare the unpaid principal and interest due and payable immediately. If the Company defaults with respect to payment of interest, the Company will be required to pay interest at a default rate equal to

12%.

In addition, in connection with the issuance of the 8% Convertible Notes, the Lender (see Note 6) received a warrant to purchase 2,750,000 shares of common stock at $.60 per share. The warrant was granted as consideration to the Lender for relinquishing to holders of the 8% Convertible Notes seniority upon liquidation of the Company. The Company computed the value of the warrant to be $547,328, using the Black-Scholes option-pricing model. The Company has recorded the $547,328 as a deferred financing cost, which will be amortized to interest expense over the term of the 8% Convertible Notes.

(8) $2.0 MILLION LINE OF CREDIT

On May 30, 2000, the Company entered into a Line of Credit Agreement pursuant to which the LOC Lenders agreed to provide the Company with the Line of Credit (see Note 1). The Line of Credit is intended to provide the Company with working capital pending the closing of the Asset Sale. The Company may draw upon the facility by notice at any time prior to the earlier of September 30, 2000, and the date the Asset Sale is consummated. The Company may specify a draw date of not earlier than seven business days following the notice. Each draw is subject to conditions that are standard for similar transactions of this sort, including the absence of defaults, the absence of material adverse changes and the continued effectiveness of the agreement providing for the Asset Sale. On July 10, 2000, the Company drew down approximately $0.5 million under the Line of Credit Agreement.

Amounts drawn down under the Line of Credit will mature and become due and payable on the earlier of September 30, 2000, and the date the Asset Sale is consummated. At the maturity date, each LOC Lender may elect either (a) to convert its portion of the amount outstanding under the LOC into shares of common stock at the rate of one share for each $1.08 of principal and interest then accrued (the $1.08 conversion price being equal to the closing price of the common stock at the time the LOC Lenders agreed to enter into the Line of Credit Agreement) or (b) to have the Company repay in cash the amount outstanding under the LOC.

The LOC Lenders, the holders of the 8% Convertible Notes (Note 7), and the Lender (Note 6) on July 10, 2000 entered into an amendment (the Amendment) to the Subordination and Intercreditor Agreement between the Company, the holders of the 8% Convertible Notes, and the Lender. That agreement, entered into December 7, 1999, provided that the successors to the $6.0 million loan would subordinate their rights to payment and their security interest in the collateral (consisting of substantially all of the Company's assets) to those of holders of the 8% Convertible Notes. The Amendment provides that the LOC Lenders will have rights to payment and interest in the collateral which are equal with those of the holders of the 8% Notes and senior to the rights of the Lenders.

In the Amendment all parties to the Subordination and Intercreditor Agreement agree to release their lien on the portion of the collateral that includes assets to be conveyed in the Asset Sale. In return for this partial release, the Company undertook in the Amendment that upon consummation of the Asset Sale it would set aside from the proceeds thereof the sum of $5.0 million with which it will purchase a money market instrument and pledge the same as collateral to secure its obligations to the LOC Lenders, the holders of the 8% Convertible Notes and the Lenders. The amount of the pledge will be reduced as the debt is converted to equity or repaid. The lenders that are party to the Subordination and Intercreditor Agreement, as amended, will continue to have a lien on substantially all of the Company's assets remaining after the Asset Sale.

In connection with the Line of Credit, the Company has agreed (a) to issue to the representatives of the LOC Lenders warrants to purchase up to 500,000 shares of common stock at an exercise price of $1.08 per share and (b) to issue to the LOC Lenders, proportionate to their respective interests in the Line of Credit, warrants to purchase 1,000,000 shares of common stock at an exercise price of $1.08 per share. The Company computed the value of the warrants to be $731,136, using the

Black-Scholes option-pricing model. The Company will amortize this amount to interest expense over the term of the Line of Credit.

(9) ASSET PURCHASE AGREEMENT

On June 29, 2000, the Company entered into an Asset Purchase Agreement to sell the assets of its Hybridon Specialty Products business, which manufactures, markets, and sells oligonucleotides. The Company expects to record a gain on the Asset Sale at the time of closing, composed of net proceeds of $12.0 million, less estimated transaction and other costs and net assets sold. The remaining $3.0 million, subject to offset, will be recorded as a gain on the Asset Sale after it is earned. This gain will be recognized when it is realized on the closing date of the Asset Sale which is expected to take place by the end of September 2000. The transaction costs consist principally of legal and accounting fees, severance arrangements with certain employees, and other estimated costs associated with consummating the sale. Closing is subject to various conditions, including the approval of the holders of 75% of the common and preferred stock, and of 100% of the debt holders. A special meeting of shareholders is scheduled for September 12, 2000.

At the closing, the Company will receive $12.0 million of the proceeds, less an approximately $450,000 reserve, which will be held for 30 days as security for the value of the purchased inventory and against prepayments for uncompleted work received by the Company in advance of the sale. One year later, subject to certain conditions, the Company will receive an additional $3 million. The conditions to the second payment include the Company 's compliance with material purchases under a supply agreement that requires it to buy certain amounts of oligonucleotides from Boston Biosystems, Inc., the buyer in the Asset Sale.

The net assets as of June 30, 2000 included in the sale consist of the following :

Property and equipment, net	$ 5,336,000
Security deposit	90,000
Total assets	$ 5,426,000
Current liabilities	(86,000)
Long term liabilities	(348,000)
	$ 4,992,000

The Company plans to use the proceeds of the Asset Sale for current operating expenses, including payment of certain current liabilities.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Hybridon is involved in the discovery and development of genetic medicines based on antisense technology. Hybridon began operations in February 1990 and since that time has been involved primarily in research and development efforts, developing its manufacturing capabilities, and raising capital. In order to commercialize its therapeutic products, Hybridon will need to address a number of technological challenges and comply with comprehensive regulatory requirements. All revenues received by Hybridon to date have been from collaborative agreements, interest on invested funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by its manufacturing business, Hybridon Specialty Products ("HSP").

Hybridon has incurred total losses of approximately $260.0 million

through June 30, 2000. Hybridon expects that its research and development and general and administrative expenses will be significant in 2000 and future years as it pursues its core drug development programs and expects to continue to incur operating losses and significant capital needs beyond its internally generated funds.

Hybridon has entered into an Asset Purchase Agreement to sell the assets of its Hybridon Specialty Products business to Boston Biosystems, Inc., a Delaware corporation that is a wholly owned subsidiary of Avecia, Inc., for an amount up to $15.0 million (that sale, the "Asset Sale"). Although an Asset Purchase Agreement has been signed by the parties, the sale is subject to approval by Hybridon's common and preferred shareholders. The Asset Purchase Agreement requires the approval of 75% of the common and preferred stock, and of 100% of the debt holders. A shareholder meeting is scheduled for September 12, 2000 for the shareholders to vote on the transaction. Even if the transaction receives shareholder approval, the purchase price will still be subject to adjustment based on the amount of the inventory included in the sale and certain payments received in respect of the business before the closing. At the closing, Hybridon will receive $12.0 million of the proceeds, less an approximately $450,000 reserve, which will be held for 30 days as security for the value of the purchased inventory and against prepayments for uncompleted work received by Hybridon in advance of the sale. One year later, subject to certain conditions, Hybridon will receive an additional $3 million, subject to offset rights granted to Boston Biosystems. The conditions to the second payment include Hybridon 's performance under a supply agreement that requires it to buy certain amounts of oligonucleotides.

On May 30, 2000, Hybridon entered into a Line of Credit Agreement with certain lenders who provided Hybridon with an 8%, $2.0 million credit facility which is intended to provide Hybridon with working capital pending the closing of the Asset Sale. On July 10, 2000, Hybridon drew down approximately $0.5 million under the Line of Credit Agreement.

Hybridon's existing cash resources, including the $2.0 million line of credit, are expected to be sufficient to fund operations into the fourth quarter of 2000. Hybridon expects the Asset Sale to be completed by the end of September 2000. However, Hybridon can give no assurances that the Asset Sale will be completed, given the conditions it is subject to, and, even on completion of the sale, payment of a portion of the purchase price is subject to the reserve and the right of offset. If the Asset sale is not completed, Hybridon's existing cash resources and the Line of Credit may not be sufficient to fund its operations and permit Hybridon to avoid a default under one or more of its outstanding debt obligations. Hybridon's ability to continue operations would then depend on the willingness of its obligors to waive any such default and on its success in obtaining new funding from future sales of equity securities, debt financings, and research and development collaborations.

As of August 4, 2000, Hybridon had 38 full-time employees. Upon the closing of the Asset Sale, Hybridon estimates it will have approximately 13 full-time employees.

The financial statements of Hybridon have been restated to reflect the financial results of the Hybridon Specialty Products business as a discontinued operation for the periods ended June 30, 2000 and 1999, and December 31, 1999.

RESULTS OF OPERATIONS

THREE AND SIX MONTHS ENDED JUNE 30, 2000 AND 1999

Hybridon had total revenues of $40,293 and $0.3 million for the three months ended June 30, 2000 and 1999, respectively, and had total revenues of $0.2 million and $0.6 million for the six months ended June 30, 2000 and 1999, respectively.

Receipt of service revenues from MethylGene, Inc. and OriGenix Technologies, Inc., entities in which Hybridon has an equity interest, were zero and $0.1 million for the three months ended June 30, 2000 and 1999, respectively, and zero and $0.2 million for the six months ended June 30, 2000 and 1999, respectively. This decrease represents a decrease in support services provided to these entities by Hybridon.

Revenues from research and development collaborations were zero and $0.2 million for the three months ended June 30, 2000 and 1999, respectively, and $45,000 and $0.3 million for the six months ended June 30, 2000 and 1999, respectively. This decrease was primarily due to the termination by Searle of its collaboration agreement with Hybridon.

Hybridon's research and development expenses were $0.9 million and $1.0 million for the three months ended June 30, 2000 and 1999, respectively, and $2.0 million and $2.4 million for the six months ended June 30, 2000 and 1999, respectively. This decrease reflects Hybridon's lower levels of cash available for expenditures in 2000. Research and development salaries and related costs remained at approximately the same level in 2000 as 1999. Hybridon's patent expenses remained at approximately the same level in 2000 as 1999.

Hybridon's general and administrative expenses were $0.9 million for both the three months ended June 30, 2000 and 1999, and $1.8 million and $2.1 million for the six months ended June 30, 2000 and 1999, respectively. The decrease for the six-month period reflects Hybridon's lower levels of cash available for expenditures in 2000. General and administrative expenses related to business development and public relations remained at approximately the same level in 2000 as 1999, as did legal and accounting expenses.

Hybridon's interest expense was $0.6 million and $0.2 million for the three months ended June 30, 2000 and 1999, respectively, and $0.9 million and $0.3 million for the six months ended June 30, 2000 and 1999, respectively. This increase is attributable to the issuance of the 8% convertible subordinated notes in December 1999.

As a result of the above factors, Hybridon incurred net losses from continuing operations of $2.3 million and $1.9 million for the three months ended June 30, 2000 and 1999, respectively, and $4.6 million and $4.2 million for the six months ended June 30, 2000 and 1999, respectively. Hybridon incurred net losses from discontinued operations of $0.2 million and $0.8 million for the three months ended June 30, 2000 and 1999, respectively, and $0.6 million and $1.4 million for the six months ended June 30, 2000 and 1999, respectively. Hybridon recorded preferred stock dividends on the Series A convertible preferred stock of $1.0 million and $1.1 million for the three months ended June 30, 2000 and

1999, respectively, and $2.1 million for both the six months ended June 30, 2000 and 1999, respectively, resulting in a net loss applicable to common stockholders of $3.5 million and $3.7 million for the three months ended June 30, 2000 and 1999, respectively, and $7.2 million and $7.7 million for the six months ended June 30, 2000 and 1999, respectively.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 2000, Hybridon utilized approximately $4.2 million to fund continuing operating activities and did not incur any capital expenditures. For the same period, discontinued operations required $0.5 million to fund discontinued activities. The primary use of cash for operating activities was to fund Hybridon's loss of $4.6 million. Hybridon expects to purchase a minimal amount of capital equipment in 2000 as part of its effort to conserve cash resources.

Hybridon had cash and cash equivalents of $0.3 million at June 30, 2000. However, since that date, Hybridon has spent a portion of such cash resources and continues to have substantial obligations to lenders, real estate landlords, trade creditors and others. On August 4, 2000, Hybridon's obligations included $1.3 million principal amount of 9% notes, a $6.0 million loan from Forum Capital Markets, LLC and others (collectively, the "Lender"), approximately $7.7 million in 8% convertible notes and accrued interest as described below, approximately $0.5 million from the Line of Credit as described below, and approximately $0.9 million of accounts payable. Because of Hybridon's financial condition, many trade creditors are only willing to provide Hybridon with products and services on a cash-on-delivery basis. The loan agreement covering the $6.0 million loan from Forum Capital Markets and others contains certain financial covenants that require Hybridon to maintain minimum tangible net worth and minimum liquidity requirements. The Lender has granted Hybridon a waiver of compliance with the minimum tangible net worth and the minimum liquidity requirements at June 30, 2000, and have agreed not to require that

Hybridon comply with those requirements for any periods commencing July 1, 2000 through September 30, 2000.

On June 29, 2000, Hybridon announced that it and Avecia Limited ("Avecia"), one of Europe's leading specialty chemicals companies, have agreed that Avecia, through its subsidiary, Boston Biosystems, Inc., will acquire the oligonucleotide manufacturing business and related intellectual property of Hybridon Specialty Products business for US $15.0 million, of which $12.0 million is payable at closing and $3.0 million is payable after one year, subject to offset rights under the contract (that acquisition, the "Asset Sale"). Avecia and Hybridon have also agreed that through 2002 Avecia will supply oligonucleotides for Hybridon and its associated operations. Hybridon will be required to purchase certain amounts of oligonucleotides from Avecia until approximately the end of 2002. The Asset Sale, which requires Hybridon shareholder approval and is subject to other conditions, is expected to be completed by the end of September 2000.

On May 30, 2000, Hybridon entered into a Line of Credit Agreement pursuant to which certain lenders (the "LOC Lenders") agreed to provide Hybridon with an 8%, $2.0 million credit facility (the "Line of Credit" or "LOC"). The Line of Credit is intended to provide Hybridon with working capital pending the closing of the Asset Sale. Hybridon may draw upon the Line of Credit by notice at any time prior to the earlier of September 30, 2000, and the date the Asset Sale is consummated. Hybridon may specify a draw date of not earlier than seven business days following the notice. Each draw is subject to conditions that are standard for transactions of this sort, including the absence of defaults, the absence of material adverse changes and the continued effectiveness of the agreement providing for the Asset Sale. On July 10, 2000, Hybridon drew down approximately $0.5 million under the Line of Credit.

Amounts drawn down under the Line of Credit will mature and become due and payable on the earlier of September 30, 2000, and the date the Asset Sale is consummated. At the maturity date, each LOC Lender may elect either (a) to convert its portion of the amount outstanding under the LOC into shares of Hybridon's common stock at the rate of one share for each $1.08 of principal and interest then accrued (the $1.08 conversion price being equal to the closing price of Hybridon's common stock at the time the LOC Lenders expressed their willingness to enter into the Line of Credit Agreement) or (b) to have Hybridon repay in cash the amount outstanding under the LOC.

The LOC Lenders have joined with the holders of Hybridon's 8% Convertible Notes issued in 1999 and the Lender in a July 10, 2000 amendment (the "Amendment") to the Subordination and Intercreditor Agreement Hybridon, the 8% Convertible Noteholders, and the Lender were parties. That agreement, entered into December 7, 1999, provided that the successors to the $6.0 million loan would subordinate their rights to payment and their security interest in the collateral (consisting of substantially all of Hybridon's assets) to those of the 8% Convertible Noteholders. The Amendment provides that the LOC Lenders will have rights to payment and interest in the collateral which are equal with those of the 8% Convertible Noteholders and senior to the rights of the Lender.

In the Amendment all parties to the Subordination and Intercreditor Agreement agree to release their lien on the portion of the collateral that includes assets to be conveyed in the Asset Sale. In return for this partial release, Hybridon undertook in the Amendment that upon consummation of the Asset Sale it would set aside from the proceeds thereof the sum of $5.0 million with which it will purchase a money market instrument and pledge the same as collateral to secure its obligations to the LOC Lenders, the 8% Convertible Noteholders and the Lender. The amount of the pledge will be reduced as the debt is converted to equity. The lenders that are party to the Subordination and Intercreditor Agreement, as amended, will continue to have a lien on substantially all of the assets of Hybridon remaining after the Asset Sale.

In connection with the Line of Credit, Hybridon has agreed (a) to issue to the representatives of the LOC Lenders warrants to purchase up to 500,000 shares of Hybridon's common stock at an exercise price of $1.08 per share and (b) to issue to the LOC Lenders, proportionate to their respective interests in the Letter of Credit, warrants to purchase 1,000,000 shares of Hybridon's common stock at an exercise price of $1.08 per share.

HISTORY OF OPERATING LOSSES; UNCERTAINTY OF FUTURE PROFITABILITY

Since inception, Hybridon has incurred significant losses, which it has funded through the issuance of equity securities, debt issuances, sales by HSP, and through research and development collaborations and licensing arrangements.

FUTURE CAPITAL NEEDS; UNCERTAINTY OF ADDITIONAL FUNDING

The Asset Sale

The purchase price in the Asset Sale is payable in two parts: $12.0 million at closing (of which the Purchaser will retain $450,000 for 30 days as security for the value of the purchased inventory and against prepayments for uncompleted work received by Hybridon in advance of the Asset Sale, and $3.0 million, payable one year from the date of closing. Receipt of the additional $3.0 million payment one year from the date of closing is subject to additional conditions, notably Hybridon's purchase of certain quantities of product from Boston Biosystems under a supply agreement, and is also subject to offset rights granted to Boston Biosystems.

There can be no assurance that the Asset Sale can be completed, as the closing is subject to conditions, including the approval of the transaction by holders of at least 75% of Hybridon's common and preferred Stock. Hybridon's existing cash resources, including the Line of Credit, are expected to be sufficient to fund operations through Hybridon's receipt of proceeds of the Asset Sale (see "Liquidity and Capital Resources") and into the fourth quarter of 2000. The Asset Sale is expected to be completed by the end of September 2000. If the Asset Sale is not completed, Hybridon's existing cash resources and the Line of Credit may not be sufficient to fund its operations and permit Hybridon to avoid a default under one or more of its outstanding debt obligations. Hybridon's ability to continue operations would then depend on the willingness of its obligors to waive any such default and on its success in obtaining new funding.

Hybridon expects that the first installment of the proceeds from the Asset Sale, in the amount of $12 million, should enable it to operate into the third quarter of 2001, at which time it expects to collect the second installment of the proceeds from the Asset Sale in the amount of $3.0 million, which should enable it to sustain its operations through the year 2001, assuming that Avecia claims no offset pursuant to offset rights granted it. Hybridon will generate a gain on the transaction, and upon closing and receipt of the first installment of the purchase price, Hybridon will have $5.0 million of restricted cash that will be available to fund its operations. Even though Hybridon expects to have sufficient cash to fund its operations through 2001, it will be required to raise substantial additional funds from external sources to support its operations in 2002 and beyond.

Assuming the completion of the Asset Sale, Hybridon's future capital requirements will depend on many factors, including the following:

- whether or not it receives the contingent Asset Sale consideration
- continued scientific progress in its research
- whether or not its drug discovery and development programs succeed
- progress with preclinical and clinical trials
- the time and costs involved in obtaining regulatory approvals
- the costs involved in filing, prosecuting and enforcing patent claims
- competing technological and market developments
- establishing and maintaining collaborative academic and commercial research, development and marketing relationships
- its ability to obtain third-party financing for leasehold improvements and other capital expenditures
- the costs of manufacturing scale-up and commercialization

activities and arrangements

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

The statements contained in this Report on Form 10-Q that are not historical are 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 the expectations, beliefs, intentions or strategies regarding the future. Hybridon intends that all forward-looking statements be subject to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These forward-looking statements reflect Hybridon's views as of the date they are made with respect to future events and financial performance, but are subject to many risks and uncertainties, which could cause actual results to differ materially from any future results expressed or implied by such forward-looking

statements. Examples of such risks and uncertainties include the risks detailed above and in the Risk Factors section of Hybridon's Annual Report on Form 10-K for the year ended December 31, 1999, which information is incorporated herein by reference.

HYBRIDON, INC.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At Hybridon's Annual Meeting of Stockholders held on June 29, 2000, the stockholders elected the following three individuals as Class II Directors to hold office until the 2003 Annual Meeting of Stockholders:

	For	Against	Abstain
Camille A. Chebeir	13,060,167	364,703	0
James B. Wyngaarden, M.D.	13,058,467	366,403	0
Paul C. Zamecnik, M.D.	13,059,667	365,203	0

The term of office as a director for each of the following individuals continued after the meeting:

Arthur W. Berry

C. Keith Hartley

Nasser Menhall

Sudhir Agrawal, D.Phil.

Youssef El-Zein

E. Andrews Grinstead, III

The stockholders also approved a proposal to amend Hybridon's 1997 Stock Incentive Plan. The holders of 9,016,979 shares of common stock voted for the proposal; the holders of 472,306 shares of common stock voted against the proposal; the holders of 235,590 shares of common stock abstained from voting; and the holders of 7,769,208 shares of common stock were broker non-votes.

Finally, the stockholders ratified the selection of Arthur Andersen LLP as the independent public accountants to audit Hybridon's consolidated financial statements. The holders of 13,191,370 shares of

common stock voted for the ratification; the holders of 4,200 shares of common stock voted against; the holders of 229,250 shares of common stock abstained from voting; and the holders of 4,069,213 shares of common stock were broker non-votes.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1	Line of Credit Security Agreement dated as of May 30, 2000, between Hydridon and certain lenders (filed herewith).
10.2	First Amendment and Restated Subordination and Intercreditor Agreement between Hybridon, holders of its 8% Convertible Notes, and certain other lenders (filed herewith).
27.1	Financial Data Schedule (EDGAR) (filed herewith)

(b) Reports on Form 8-K

On June 29, 2000, Hybridon filed a Current Report on Form 8-K, reporting that Hybridon and Avecia Limited, one of Europe's leading specialty chemicals companies, have agreed on terms for Avecia to acquire the DNA manufacturing business and related intellectual property of Hybridon.

SIGNATURES

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

HYBRIDON, INC.

Date: August 14, 2000

/s/ Sudhir Agrawal

Sudhir Agrawal, D. Phil.
President and Acting Chief Executive Officer

Date: August 14, 2000

/s/ Robert G. Andersen

Robert G. Andersen
Chief Financial Officer and Vice
President of Operations and Planning

Exhibit 10.1

LINE OF CREDIT AND SECURITY AGREEMENT

This Agreement (this "Agreement") is made effective as of July 10, 2000 (the "Effective Date"), by and between those persons executing this Agreement as lenders ("Lenders") and Hybridon, Inc. ("Borrower"), a Delaware corporation with its principal place of business at 155 Fortune Boulevard, Milford, Massachusetts.

BACKGROUND

This Agreement is made in light of the following Background:

A. As of December 31, 1996, Borrower entered into a non-revolving term loan with Silicon Valley Bank which was evidenced, in part, by that certain Loan and Security Agreement dated as of December 31, 1996 (the "Subordinate Loan Agreement").

B. On or about November 20, 1998, Forum Capital Markets, LLC ("Forum"), Delaware State Employees Retirement Fund, Declaration of Trust for the Defined Benefit Plans of ICI American Holdings Inc., Declaration of Trust for the Defined Benefit Plans of Zeneca Holdings Inc., The J.W. McConnell Family Foundation and General Motors Employees Domestic Group Trust (said trusts, foundation and fund being referred to collectively as the "Pecks Parties"; Forum and the Pecks Parties are collectively referred to as the "Subordinate Lenders") purchased Silicon Valley Bank's interest in the credit facility evidenced by the Subordinate Loan Agreement.

C. On or about December 13, 1999, various persons loaned the principal amount of $7.6 million to Borrower, which loans were evidenced by Borrower's 8% convertible promissory notes, due November 30, 2002 (the "1999 Notes").

D. In connection with the issuance of the 1999 Notes, Borrower, Subordinate Lenders and those persons who from time to time hold the 1999 Notes (collectively, the "Senior Lenders") entered into a Subordination and Intercreditor Agreement (the "Intercreditor Agreement"), pursuant to which the Subordinate Lenders agreed to subordinate the obligations of Borrower under the Subordinate Loan Agreement and the collateral securing such obligations to the Borrower's obligations under the 1999 Notes.

E. Borrower has entered into negotiations with Boston Biosystems, Inc. ("BBI"), to sell certain of Borrower's assets to BBI upon terms and under conditions set forth in an Asset Purchase Agreement (the "BBI Agreement") between Borrower and BBI (the "BBI Transaction").

F. In order to fund its operations pending the closing of the BBI Transaction, Borrower may require additional funds. Lenders are collectively willing to enter into a line of credit arrangement with Borrower, pursuant to which Lenders would commit to advance such funds, in an aggregate amount not to exceed Two Million and no/100 Dollars, from time to time upon Borrower's request, on the terms and subject to the conditions set forth in this Agreement. Each Lender, by execution of this Agreement, in confirming his, her or its willingness to advance a proportionate amount of such funds, in an amount not to exceed the individual maximum indicated below such Lender's name on the signature page to this Agreement (the Lender's "Commitment").

AGREEMENT

NOW, THEREFORE, in consideration of the promises set forth herein, Borrower and Lenders severally but not jointly hereby agree as follows:

1. DEFINITIONS. In addition to the definitions set forth elsewhere in this Agreement, the following terms shall have the following meanings, giving effect to any numerical differences:

1.1. "Borrower's Liabilities": All obligations and liabilities of

Borrower to Lenders (including without limitation all debts, claims, and indebtedness) whether primary, secondary, direct, contingent, fixed or otherwise, heretofore, now and/or from time to time hereafter owing, due or payable, however evidenced, created, incurred, acquired or owing and however arising, whether under the Loan Documents or operation of law or otherwise.

1.2. "Charges": All national, Federal, state, county, city, municipal and/or other governmental (or any instrumentality, division, agency, body or department thereof, including without limitation the Pension Benefit Guaranty Corporation) taxes, levies, assessments, charges, Liens, claims or encumbrances upon and/or relating to the Collateral, Borrower's Liabilities, Borrower's business, Borrower's ownership and/or use of any of its assets, Borrower's income and/or gross receipts and/or Borrower's ownership and/or use of any of its material assets.

1.3. "Collateral" shall have the meaning ascribed in Section 4.1, below.

1.4. "Common Stock" shall mean the Borrower's Common Stock, $0.001 par value per share.

1.5. "Conversion Price" shall equal $1.08 per Share.

1.6. "Indebtedness": With respect to any Person, at a particular time: (a) indebtedness for borrowed money or for the deferred purchase price of property or services in respect of which such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise or any commitment by which such Person assures a creditor against loss; (b) obligations under leases which shall have been or should be, in accordance with generally accepted accounting principals, recorded as capital leases in respect of which obligations such Person is liable, contingently or otherwise, as obligor, guarantor or otherwise, or in respect of which obligations such Person assures a creditor against loss; and (c) any obligations and liabilities of such Person with respect to unfunded vested benefits under any "employee benefit plan" or with respect to withdrawal liabilities to a "multiemployer plan," as such terms are defined under ERISA.

1.7. "Lien": With respect to any asset, any mortgage, pledge, Charge, hypothecation, judgment lien or similar legal process, title retention lien or other lien or security interest or encumbrance of any kind in respect of such asset. For the purposes of this Agreement, a Person shall be deemed to own, subject to a Lien, any asset which it has acquired or holds subject to the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement relating to such asset.

1.8. "Lender's Percentage" shall, as to any Lender equal that percentage which Lender's Commitment bears to the total commitments of $2,000,000.

1.9. "Lenders' Representative" shall initially mean Youssef El-Zein (a representative designated by Pillar Investments Ltd.) or, from time to time, a successor representative chosen by the holders of a majority (measured by dollar amount) of the Borrowers Obligations hereunder, outstanding from time to time.

1.10. "Loan Document": The Notes, this Agreement and each and every other agreement, document, assignment, certificate, statement, instrument or other written matter, now or at any time hereafter delivered to any Lender to evidence or secure liabilities and/or obligations of Borrower to Lenders, whether now or hereafter existing, arising or created, whether executed by or on behalf of Borrower or any other Person, together with all amendments, modifications, supplements, restatements, supplements, extensions and restatements or replacements thereof or thereto.

1.11. "Person": Any individual, sole proprietorship, partnership, joint venture, trust, unincorporated organization, association, limited liability company, corporation, institution, entity, party or government (whether national, Federal, state, county, city, municipal or otherwise, including without limitation any instrumentality, division, agency, body or department thereof).

1.12. "Subsidiary": With respect to any Person, any corporation of which more than fifty percent (50%) of the outstanding capital stock having

ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time, directly or indirectly, owned by such Person.

1.13. "Unmatured Default": Any event which with the passage of time, the giving of notice or both would be an Event of Default hereunder or under any other Loan Document.

1.14. All financial terms used herein, unless otherwise defined herein, shall have the meaning ascribed to such term in accordance with generally accepted accounting terms.

2. LOANS.

2.1. Amount. Lenders agree severally but not jointly, on the terms and conditions of this Agreement, to make loans to Borrower in an aggregate principal amount at any one time outstanding up to but not exceeding $2,000,000 (the "Loans") and in the individual maximum

amounts indicated on their respective signature pages (which names and amounts shall be aggregated onto Schedule 2.1). The Loans made by Lenders to Borrower pursuant to this Agreement may or may not (at the sole and absolute discretion of Lenders' Representative) be evidenced by notes or other instruments issued or made by Borrower to Lender (the "Notes"). Subject to the provisions hereof, Borrower may borrow the Loans at any time or from time to time between the Effective Date and September 30, 2000, subject to compliance with the requirements of this Section 2. The outstanding principal amount of the Loans shall bear interest at a rate equal to eight percent (8%) per annum computed for the actual number of days elapsed on the basis of a 360-day year. In computing interest on the Loans, (i) the date of funding shall be included and (ii) the date of payment shall be excluded.

2.2. Manner of Borrowing. Borrower shall give Lenders' Representative written, telegraphic or facsimile notice (the "Draw Notice") executed by a Designated Person (as defined below), specifying (a) the amount to be disbursed, which amount shall not be greater, at any one time, than the difference between $2,000,000, minus the then outstanding principal amount of all Loans theretofore made hereunder, (b) the date upon which Borrower request such amounts be disbursed to it (which date shall be not less than seven (7) calendar days after the date of delivery of the Draw Notice) and (c) Borrower's wire transfer instructions. Lenders' Representative shall immediately forward the Draw Notice to each Lender. Within two business days following receipt by each Lender of a Draw Notice in compliance with this Section 2, each such Lender shall disburse the Lender's Percentage of the requested funds to an account specified by Lenders' Representative. Lenders' Representative, in turn, shall upon receipt of funds from all Lenders, remit the funds to Borrower in care of the account specified in the Draw Notice. Prior to or concurrently with the execution hereof, Borrower shall certify to Lender the officer or officers of Borrower who are authorized to request advances (each a "Designated Person"), together with true signatures of such officer or officers, and Lenders' Representative may conclusively rely on such certification until it shall receive notice in writing to the contrary.

2.3. Term; Conversion. Lender's obligation to make Loans to Borrower hereunder shall terminate on the earlier of (i) September 30, 2000 and (ii) the date on which the BBI Transaction is consummated (the "Maturity Date"). On the Maturity Date, each Lender may elect in its respective sole discretion either to (a) require Borrower to convert the unpaid principal balance, plus all interest earned, under the Loans into shares of Borrower's Common Stock at the Conversion Price; provided, that in the event that a fractional interest in a share of Borrower's Common Stock would be deliverable to Lender upon any such conversion of the Fixed Loan, that number of shares of Common Stock deliverable to Lender shall be rounded to the nearest whole or (b) demand repayment of all principal and interest on the Loans.

2.4. Use of Proceeds. Borrower shall use the Loan Proceeds to fund its working capital needs.

3. CONDITIONS OF LENDING.

3.1. Conditions Precedent to Initial Advance. Prior to or contemporaneously with the making of the initial advance of funds, Lender's obligation to make the Loan is subject to the satisfaction of the following conditions precedent:

(a) Fees and Expenses. Borrower shall have paid all fees owed to Lenders and Lenders' Representative, including, but not limited to, an arrangement fee of $20,000 due to Lenders' Representative, and reimbursed Lender for all expenses due and payable hereunder on or before the date hereof including, but not limited to, reasonable legal fees not to exceed $10,000;

(b) Issuance of Warrants. Borrower shall have issued to Lenders' Representative warrants to purchase up to 500,000 shares of Borrower's Common Stock exercisable at the Conversion Price. In addition, Borrower shall have issued to the various Lenders, in proportion to their respective Lender's Percentages, warrants to purchase up to an aggregate of 1,000,000 shares of Borrower's Common Stock, exercisable at the Conversion Price. All such warrants shall be exercisable for a three-year period, running from the Maturity Date.

(c) Documents. Lender shall have received the Loan Documents, each in form and substance satisfactory to Lender, and all of the transactions contemplated by each such document shall have been consummated or each condition contemplated by each such document shall have been satisfied.

(d) Financing Statements. The applicable Form UCC-1 and UCC-2 financing statements related to the Collateral shall have been executed and delivered to Lenders' Representative for filing in all jurisdictions that Lenders' Representative deems necessary or advisable.

(e) Internal Approvals. Certified copies of resolutions of Borrower's Board of Directors approving the execution and delivery of and the consummation of the transactions contemplated by the Loan Documents and all other documents or instruments to be executed and delivered in conjunction herewith and therewith by Borrower.

(f) Amendment of Intercreditor Agreement. Borrower, the Senior Lenders and the Subordinate Lenders shall have executed an amendment to the Intercreditor Agreement, providing that Borrower's Obligations shall have a priority of repayment and a security interest in the Collateral, that are in each case pari passu with those of the Senior Lenders, and Lenders hereunder shall be added as parties to the Intercreditor Agreement.

(g) BBI Arrangements. Borrower and BBI shall have entered into a final and binding BBI Agreement.

(h) Other Documents. Such other documents as Lender may reasonably request, including Registration Rights Agreements covering the shares of Common stock issuable upon conversion of the Notes or exercise of the Warrants..

3.2. Additional Conditions. The obligation of Lender to make each advance of a Loan hereunder is subject to the following conditions precedent:

(a) no Event of Default or Unmatured Default shall have occurred and be continuing;

(b) all representations and warranties of Borrower set forth herein, or in any other Loan Document shall be true on and as of the date of the making of such Loan with the same force and effect as if such representation or warranty was made on and as of such date;

(c) Borrower shall have duly performed and complied with all applicable agreements, covenants and conditions hereunder;

(d) no change in the business condition or operations, or results of operations, performance, properties or prospects, financial or otherwise, of Borrower shall have occurred which is deemed, in the reasonable discretion of Lenders' Representative, to have a material adverse effect on Borrower;

(e) no litigation or proceeding shall be outstanding or have been instituted or threatened which Lenders' Representative determines to be material against Borrower or any of Borrower's assets; and

(f) the BBI Agreement shall remain in full force and effect and shall not have been canceled or terminated and the Buyer under the BBI Agreement shall not have overtly asserted that any condition to Buyer's obligation to close, as set forth in Section 7(a) of the BBI Agreement and not waived by Buyer, shall not have been satisfied.

4. COLLATERAL.

4.1. Grant of Security Interest. To secure the prompt payment to Lenders of Borrower's Liabilities and the prompt, full and faithful performance by Borrower of all of the provisions to be kept, observed or performed by Borrower under the Loan Documents, Borrower grants to Lenders' Representative, as representative of all Lenders hereunder, a security interest in and to, and collaterally assigns to Lender, all of the Collateral (as that term is defined in the Subordinate Loan Agreement), on the terms and subject to the conditions set forth in the Subordinate Loan Agreement, as amended. In addition to the Collateral as specified in the Subordinate Loan Agreement, the term "Collateral" shall include all rights of Borrower as "Seller" under the BBI Agreement, including a right to enforce Borrower's rights against BBI, in the event of a default by BBI in its purchase obligations. Borrower shall make appropriate entries upon its financial statements and its books and records disclosing Lender's security interest in the Collateral.

4.2. Perfection of Security Interest. Borrower shall execute and deliver to Lenders' Representative, at the request of Lenders' Representative, all agreements, instruments and documents that Lenders' Representative reasonably may request, in form and substance acceptable to Lender, to perfect and maintain perfected Lender's security interest in the Collateral

and to consummate the transactions contemplated in or by the Loan Documents. Borrower agrees that a carbon, photographic or photostatic copy, or other reproduction, of this Agreement or of any financing statement, shall be sufficient as a financing statement.

4.3. Inspection. Lenders' Representative shall have the right, at any time during Borrower's usual business hours, to inspect the Collateral and all related records (and the premises upon which it is located) and to verify the amount and condition of, or any other matter relating to, the Collateral.

4.4. Priority. Borrower warrants and represents to and covenants with Lenders that Lenders' security interest in the Collateral is now and at all times hereafter, until Borrower's Liabilities have been indefeasibly paid and performed in full, shall be perfected and have a first priority pari passu with the Senior Lenders.

4.5. Location of Collateral. The office and/or locations where Borrower keeps the Collateral are specified in Exhibit 4.4 hereto and Borrower shall not remove such Collateral from such locations and shall not keep any of such Collateral at any other office or location unless Borrower gives Lenders' Representative written notice thereof prior thereto and the same is within the continental United States of America. Borrower, by written notice delivered to Lenders' Representative prior thereto, shall advise Lenders of Borrower's opening of any new office or place of business or its closing of any existing office or place of business.

4.6. Proceeds of Collateral. At the request of Lenders' Representative, during the pendency of an Event of Default, and subject to the terms and conditions of the Intercreditor Agreement, Borrower shall receive, as the sole

and exclusive property of Lenders and as trustee for Lenders, all monies, checks, notes, drafts and all other payment for and/or proceeds of Collateral which come into the possession or under the control of Borrower and immediately upon receipt thereof, Borrower shall remit the same (or cause the same to be remitted), in kind, to Lenders or at Lenders' Representative's direction.

4.7. Event of Default. Upon demand or an Event of Default or any Unmatured Default, Lenders' Representative may, subject to the terms and conditions of the Intercreditor Agreement, take control of, in any manner, and may endorse Borrower's name to any of the items of payment of proceeds described in Paragraph 4.6 above and, pursuant to the provisions of this Agreement, Lenders shall apply the same to and on account of Borrower's Liabilities.

5. COVENANTS. At all times during the term hereof, Borrower agrees that, unless Lenders' Representative shall otherwise consent in writing:

5.1. Affirmative Covenants.

(a) Insurance.

(i) Borrower will at all times maintain or cause to be maintained on Borrower's tangible assets, insurance against such risks ordinarily insured against by other owners or users of such properties in similar businesses similarly situated

and in any event the following: (1) insurance covering Borrower's tangible assets in the event of fire, lightning, windstorm, vandalism, malicious mischief and all other risks normally covered by "Special Perils" coverage policies in an amount, subject to commercially reasonable deductibles, equal to 100% of the replacement value thereof; (2) comprehensive general public liability insurance in such minimum combined single limit amount as Lenders' Representative shall require, in its reasonable discretion, subject to commercially reasonable deductibles; and (3) Worker's Compensation and employer's liability insurance covering Borrower's employees in such amounts as is required by law.

(ii) Upon the request of Lenders' Representative, Borrower shall deliver to Lenders' Representative a certified copy of each policy of insurance and evidence of payment of all premiums therefor. Lenders shall be named as an "additional named insured" on all policies of liability insurance. Such endorsement shall provide that the insurance companies will give Lenders' Representative prior notice before any such policy shall be materially modified or canceled and that no act or default of Borrower or any other Person (other than Lenders' Representative) shall affect the right of Lenders to recover under such policy in case of loss or damage.

(b) Payment of Charges and Debts. Borrower shall pay when due all Indebtedness and all Charges at or before maturity or before the same becomes delinquent; provided that Borrower shall not be required to pay any Indebtedness or Charges, on the conditions that (i) Borrower, in good faith, shall be contesting the same in an appropriate proceeding, (ii) enforcement thereof against any assets of Borrower shall be stayed; and (iii) appropriate reserves therefor shall have been established on the records of Borrower in accordance with generally accepted accounting principles.

5.2. Negative Covenants.

(a) Limitations on Indebtedness. Borrower shall not, without the prior written consent of Lenders' Representative, incur Indebtedness (including guarantying or otherwise becoming liable with respect to the obligations of any other Person or any agreement to maintain the net worth of any other Person) except for: (i) Indebtedness incurred under this Agreement, (ii) Indebtedness, existing on the date hereof, disclosed to Lenders on the Financial Statements, and (iii) obligations or liabilities created or arising under any lease or trade payable incurred or arising in the ordinary course of business.

(b) Sale; Liens. Until Borrower's Liabilities have been

indefeasibly paid and performed in full, Borrower shall not grant, permit or suffer any Lien upon any of Borrower's assets to arise after the date hereof, except Liens in the ordinary course of business. Borrower shall not sell, assign, transfer or convey all or substantially all of its assets, except pursuant to the BBI Transaction.

(c) Attachment; Receivers. Borrower shall not permit or suffer: (i) any levy, attachment

or restraint to be made affecting any of its assets which such levy, attachment or restraint has not been released within a reasonable period of time, or (ii) any receiver, trustee or assignee for the benefit of creditors, or any other custodian to be appointed to take possession of all or any of Borrower's assets.

(d) Merger; Change Capital Structure. Except with respect to the BBI Transaction or with the prior written consent of the Lenders' Representative, Borrower shall not: (i) make any material change in Borrower's capital structure or in any of its business objectives, purposes and operations which might in any way adversely affect the repayment of the Loan, or (ii), without prior notice to Lender, change its corporate name.

(e) Distributions; Borrower's Stock. If an Event of Default or an Unmatured Default exists or would be created thereby, Borrower shall not declare or pay dividends upon any of Borrower's stock or redeem, retire, purchase or otherwise acquire, directly or indirectly, any of Borrower's stock or other evidence of ownership interest or make any distributions or transfers of Borrower's property or assets in respect of its stock to any Persons. Notwithstanding the prior sentence, Borrower shall be permitted to make interest payments on outstanding debt instruments through the issuance of additional debt or equity securities, and to cancel securities outstanding as of the Effective Date which are later tendered to the Borrower for conversion.

6. REPRESENTATIONS AND WARRANTIES OF BORROWER.

6.1. General Representations. Borrower represents, covenants and warrants as follows:

(a) Organization. Borrower is duly organized and existing as a corporation in good standing under the laws of the State of Delaware and is qualified to do business and is in good standing in each other state where the nature and extent of the business transacted by it or the ownership of its assets makes such qualification necessary. Borrower has no Subsidiaries or ERISA Affiliates.

(b) Corporate Authority; Due Diligence. The execution, delivery and performance by Borrower of this Agreement and each of the other Loan Documents are: (i) within Borrower's corporate powers; (ii) have been duly authorized by all necessary corporate action of Borrower; (iii) do not contravene (1) the Certificate of Incorporation or by-laws of Borrower or (2) any law or contractual restriction binding on or affecting Borrower; and (iv) do not result in or require the creation of any Lien upon or with respect to any of its properties (other than the Liens contemplated by this Agreement and the other Loan Documents). No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by Borrower of this Agreement and the other Loan Documents to which Borrower is a party.

(c) Binding Obligations. This Agreement and the other Loan Documents to which Borrower is a party are legal, valid and binding obligations of Borrower, and are enforceable against Borrower, in accordance with their respective terms, except as such

enforceability may be limited by bankruptcy, insolvency,

reorganization, moratorium or other laws relating to or limiting creditors' rights or equitable principles generally.

(d) Litigation. There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving Borrower and, to the best of Borrower's knowledge, there is no threatened action or proceeding affecting Borrower or any of its assets before any court, governmental agency or arbitrator (i) which, in any case, may materially and adversely affect the financial condition or operations of Borrower, (ii) which seeks to restrain or would otherwise have a material adverse effect on the transactions contemplated herein, or (iii) which would affect the validity or enforceability of this Agreement or the other Loan Documents.

(e) Title; Liens. Borrower has good, indefeasible and merchantable title to and ownership of the Collateral. None of the Collateral is subject to any Lien, except for (i) Liens arising under the Subordinate Loan Agreement and the 1999 Notes, (ii) Liens arising in the ordinary course of business and (iii) Liens reflected on the Financial Statements delivered by Borrower to Lenders prior to the date of the initial funding of the Loan.

(f) Business Purpose; Investment Company. Borrower shall use the proceeds of all loans solely for business purposes and consistently with all applicable laws and statutes. Borrower is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended. Borrower is not engaged principally, or as one of Borrower's important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and will not use the proceeds of any Loan hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.

(g) Tax Returns. Borrower has filed or caused to be filed all Federal, state and local tax reports and returns which are required to be filed, and has paid or caused to be paid all taxes as shown on said returns or which are due or on any assessment received by it, to the extent that such taxes have become due.

(h) Financial Condition. The balance sheets and statements of income and retained earnings of Borrower for the year ended December 31, 1999 and for the period ended March 31, 2000 (collectively, the "Financial Statements"), are complete and correct and fairly represent the financial condition of Borrower as at the dates of said financial statements and the results of its operations for the periods ending on said dates. Borrower has previously furnished Lenders' Representative with copies of the Financial Statements. Borrower has no material contingent obligations, liabilities for taxes, long-term leases, or unusual forward or long-term commitments not disclosed by, or reserved against in Financial Statements or the notes thereto; and at the present time there are no material unrealized or anticipated losses from any unfavorable commitments not disclosed by, or reserved against in said the Financial Statements or the notes thereto. The

Financial Statements were prepared in accordance with generally accepted accounting principles consistently applied throughout the period involved. Since the date of the latest of such Financial Statements, there has been no material adverse change in the financial condition of Borrower from that set forth in the Financial Statements as at that date.

(i) Default in Other Agreements. Borrower is not in default (other than defaults which have been waived in writing, as listed on Schedule 6.1 hereof) in the payment or performance of any of its obligations or in the performance of any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which it is a party or by which it or any of its assets may be bound, which default would have a material and adverse effect on the business, operations, assets or condition, financial or otherwise, of Borrower, either individually or taken as a whole. Borrower is not in default under any

order, award or decree of any court, arbitrator, or governmental authority binding upon or affecting it or by which any of its assets may be bound or affected which default would have a material adverse effect on the business, operations, assets or condition, financial or otherwise, of Borrower, either individually or taken as a whole, and no such order, award or decree adversely affects the ability of Borrower to carry on its business as currently conducted or the ability of Borrower to perform its obligations under this Agreement and the other Loan Documents to which it is a party.

(j) Business Prospects. There is no fact known to Borrower which materially adversely affects or in the future may (so far as Borrower can now foresee) materially adversely affect the business, property, assets or financial condition of Borrower which has not been set forth in this Agreement or in the other Loan Documents, prior to the date hereof in connection with the transactions contemplated hereby.

(k) Licenses. Borrower possesses adequate licenses, patents, patent applications, copyrights, service marks, trademarks and trade names to conduct its business as heretofore conducted and as intended to be hereafter conducted by it and all such items are owned by or licensed to Borrower free and clear of conflicting claims or uses of any other Person, except where the failure to possess or own such licenses, patents, patent applications, copyrights, service marks and trademarks would not have a material adverse effect on the business of Borrower.

6.2. Compliance with ERISA. Neither Borrower, nor any member of its controlled group (as defined under Section 414 of the Internal Revenue Code), has any obligations with respect to any Employee Benefit Plan, as defined under Section 3(3) of ERISA. Borrower and its controlled group (a) are in compliance with ERISA in all material respects, (b) have paid or accrued all contributions owed pursuant to the terms of each applicable plan, (c) neither participate in nor sponsor any Employee Benefit Plan with an actuarial present value of accrued plan benefits, on a termination basis, that exceeds the net assets available for such benefits, as determined using the actuarial assumptions set forth in the actuarial reports for each such plan's most recently completed plan year, and (d) offer no welfare benefit plans with accrued unfunded liabilities to any of its retirees. Borrower and its controlled group agree to (a) keep in full force and effect any and all Employee Benefit Plans that are presently in existence or may, from time

to time, come into existence, unless such plans can be terminated without material liability to Borrower, (b) make contributions to all Employee Benefit Plans in a timely manner and in a sufficient amount to comply with the requirements of ERISA, and (c) comply with all material requirements of ERISA so as to avoid any event that would have a material adverse effect on Borrower.

6.3. Solvency. Borrower has capital sufficient to carry on its business and transactions and all businesses and transactions in which it is about to engage and is able to pay its debts as they mature and Borrower owns property the fair saleable value of which is greater than the amount required to pay Borrower's Liabilities. No transfer of property is being made and no Indebtedness is being incurred in connection with the transactions contemplated by this Agreement with the intent to hinder, delay or defraud either present or future creditors of Borrower.

6.4. Compliance with Laws and Regulations. The execution and delivery by Borrower of this Agreement and the other Loan Documents and the performance of Borrower's obligations hereunder and thereunder are not in contravention of any law or laws. Borrower is and, at all times during the term hereof shall be, in substantial compliance with all laws, orders, regulations and ordinances of all Federal, foreign, state and local governmental authorities relating to its business, operations and assets and no failure to fully comply shall, individually or in the aggregate, have a material adverse effect on Borrower's business, operations, condition (financial or otherwise) or prospects.

6.5. Survival. The foregoing representations, covenants and warranties of Borrower shall be continuing and shall survive the execution and delivery of this Agreement and the other Loan Documents and shall be true and correct at all times prior to the payment in full of all indebtedness under this Agreements and

other Loan Documents. By submitting to Bank any request for an advance, Borrower shall be deemed to have restated each and every representation and warranty as of the date of such request. Borrower hereby affirmatively covenants to take all actions or to avoid taking any action which would render any representation or warranty untrue or inaccurate at any time during the term hereof.

7. DEFAULT; REMEDIES.

7.1. Events of Default. Any one or more of the following events is an "Event of Default" under this Agreement, and the term "Event of Default," wherever used herein, means any one of the following events:

(a) if Borrower shall fail to pay any payment of principal, interest or any other amount due to Lenders under the Notes or any other Loan Document within ten (10) days of the date due and payable; or if any representation or warranty made by Borrower herein or in any other Loan Document shall prove at any time to be, in any material respect, incorrect or misleading as of the date made; or;

(b) if Borrower breaches the covenants set forth in Sections 5.2 or if Borrower shall default in the performance of any other covenant hereunder (not constituting an

Event of Default under any other clause of this Section 7) and such default shall continue unremedied for a period of thirty (30) days after Lenders' Representative shall have delivered written notice thereof to Borrower;

(c) any event of default shall have occurred under the terms of the Notes or any other Loan Document (which event is not an Event of Default under any other provision of this Section 7.1) which is not cured within the time period provided therefor, if any;

(d) if a petition under any section or chapter of the Bankruptcy Reform Act of 1978, as amended, or any similar law or regulation shall be filed by Borrower or if Borrower shall make an assignment for the benefit of creditors or if any case or proceeding is filed by Borrower for dissolution or liquidation or if Borrower is enjoined, restrained or in any way prevented by court order from conducting all or any material part of its business affairs or if a petition under any section or chapter of the Bankruptcy Reform Act of 1978, as amended, or any similar law or regulation is filed against Borrower or if any case or proceeding is filed against Borrower for dissolution or liquidation and such injunction, restraint or petition is not dismissed or stayed within thirty (30) days after the entry or filing thereof;

(e) if an application is made by any Person other than Borrower for the appointment of a receiver, trustee, or custodian for any portion of Borrower's assets and the same is not dismissed or stayed within thirty (30) days after the application therefor; or

(f) Lenders' Representative shall have reason to believe that the prospect of payment of the Loans or the performance of any of Borrower's obligations under this or any other agreement with any of the Lenders is impaired.

7.2. Remedies. Upon the occurrence of an Event of Default and during the continuation thereof, Lender, in its sole and absolute discretion, may: (a) declare all of Borrower's Liabilities immediately due and payable, terminate all commitments hereunder and declare all liabilities under the other Loan Documents immediately due and payable; and (b) exercise any and all rights and remedies under the other Loan Documents, at law or at equity, provided however that any such actions shall only be taken in strict conformity with the terms and conditions of the Intercreditor Agreement. Lenders' failure at any time or times hereafter to require strict performance by Borrower of any provision of this Agreement shall not waive, affect or diminish any right to Lenders thereafter to demand strict compliance and performance therewith.

8. GENERAL.

8.1. Designation of Lenders' Representative as Agent. Each Lender, by

his, her or its execution of this Agreement, hereby irrevocably designates the Lenders' Representative (including any duly chosen successor Lenders' Representative) to act as agent and representative of such Lender, with respect to this Agreement and as specified in the other Operative

Documents. Each Lender hereby irrevocably authorizes the Lenders' Representative to take such action on its behalf under the provisions of this Agreement and the other Operative Documents and any other instruments and agreements referred to herein or therein and to exercise such powers and to perform such duties hereunder and thereunder as are specifically delegated to, or required of, the Lenders' Representative by the terms hereof or thereof and such other powers as are reasonably incidental thereto. Each Lender, on behalf of itself and future holders of the Notes issued to such Lender, hereby authorizes and directs the Lenders' Representative, from time to time in the Lenders' Representative's discretion to take any action and promptly to execute and deliver on its behalf any document or instrument that the Company may reasonably request to effect, confirm or evidence the provisions of this Agreement.

8.2. Notices. Any notice, consent, waiver or other notification required or permitted to be given under this Agreement shall be in writing and shall be personally delivered or mailed, first-class postage prepaid, or sent by recognized overnight courier express mail service or by facsimile transmission (confirmed electronically or in writing). A written notice shall be deemed to have been given to the recipient party on the earlier of: (a) the date it shall be delivered to the address required hereunder; (b) the date delivery shall have been refused at the address required hereunder; and (c) with respect to notices sent by mail, the date as of which the postal service shall have indicated such notice to be undeliverable at the address required hereunder. Any and all notices shall be mailed to the following addresses:

If to Lenders:

c/o Pillar Investments Ltd., as Representative
28 Avenue de Messine
Paris, FRANCE 75008
Attn: Youssef El-Zein
Fax: 011 331 44 136 464

With a Copy to:
Sachnoff & Weaver, Ltd.
30 South Wacker Drive,
29th Floor
Chicago, Illinois 60606-7484
Attention: Lance Rodgers, Esq.
Fax: (312) 207-6400

If to Borrower:

Hybridon, Inc.
155 Fortune Boulevard
Milford, Massachusetts
Attention: Robert G. Andersen
Fax: 508/482-7692

With a Copy to:

Holland & Knight
One Beacon Street
Boston, MA
Attention: James Pollock, Esq.
Fax: (617) 720-0325

or at such other address or addresses as the party addressed may from time to time designate in writing by similar means. Any such notice shall be deemed given when actually received by the party to whom notice is intended to be given or actually delivered at the address of the party as shown above.

8.3. Amendments, Changes, and Modifications. This Agreement may not be

amended, changed, modified, altered or terminated without the written consent of Lenders' Representative.

8.4. Indemnification. Borrower shall indemnify, defend and hold Lenders harmless from and against any and all losses, costs, liabilities, damages and expenses (including attorney's fees) of every kind, nature and description resulting or arising from: (a) the breach of any material representation, warranty or covenant herein or in any other Loan Document; (b) any third party claims relating to Borrower's business or any act or omission of Borrower; (c) any material breach or alleged breach by Borrower of any applicable law, order, regulation or ordinance of any Federal, foreign, state or local governmental authorities.

8.5. Release. Borrower hereby acknowledges and agrees that Lenders shall not be liable to Borrower and hereby releases and discharges Lenders from any liability, for any and all losses, costs, expenses (including attorneys' fees), damages, judgments, claims and causes of action, paid, incurred or sustained by Borrower as a result of or relating to any action, or failure or refusal to act, on the part of Lenders or any other party with respect to this Agreement, or the documents and transactions related hereto or thereto or contemplated hereby or thereby, including, without limitation, the exercise by Lenders or any third party of any of its rights or remedies pursuant to any of such documents; provided that nothing herein shall be deemed a waiver or release of any claim arising after the date hereof out of Lenders' gross negligence or willful misconduct.

8.6. Choice of Law. Borrower and Lenders hereby agree that this Agreement shall be governed by the internal laws of the Commonwealth of Massachusetts, without regard to any choice of law principles.

8.7. Interpretation. If a term or provision of this Agreement shall be held invalid, illegal or unenforceable, all other terms and provision hereof shall ,to the maximum extent possible, remain in effect.

8.8. Waiver of Jury Trial. BORROWER AND LENDERS EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. BORROWER HEREBY EXPRESSLY ACKNOWLEDGES THIS WAIVER IS A MATERIAL INDUCEMENT FOR LENDER TO ACCEPT THIS AGREEMENT AND TO MAKE THE LOAN EVIDENCED HEREBY AND BY THE OTHER LOAN DOCUMENTS.

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

BORROWER:

HYBRIDON, INC.

By:_____
(Signature)

Print Name of Signatory:_____

Its:_____
(Print Title or Status of Signatory)

LENDERS:

Name of Lender: _____

By: _____
(Signature)

Print Name of Signatory:_____

Its: _____

(Print Title or Status of Signatory)

Dollar of Loan Commitment: $_____

Exhibit 10.2

FIRST AMENDED AND RESTATED SUBORDINATION AND INTERCREDITOR AGREEMENT

THIS FIRST AMENDED AND RESTATED SUBORDINATION AND INTERCREDITOR AGREEMENT (this "Agreement") is effective as of July 10, 2000 (the "Effective Date") by and among Hybridon, Inc., a Delaware corporation ("Borrower"), those persons who from time to time hold the 8% senior notes (described herein) of the Borrower due November 30, 2002 (collectively, the "Senior Noteholders"), those persons who have executed as lenders that certain Line of Credit and Security Agreement (the "June Loan Agreement"), dated as of July 10, 2000, between such lenders and Borrower (collectively, the "Senior Lenders", and together with the Senior Noteholders, the "Senior Security Holders"), and Founders Financial Group ("Founders"), Delaware State Employees Retirement Fund, Declaration of Trust for the Defined Benefit Plans of ICI American Holdings Inc., Declaration of Trust for the Defined Benefit Plans of Zeneca Holdings Inc., The J.W. McConnell Family Foundation and General Motors Employees Domestic Group Trust (said trusts, foundation and fund being referred to collectively as the "Pecks Parties"; Founders and the Pecks Parties are collectively referred to as the "Subordinate Lenders"). This Agreement amends and restates that certain Subordination and Intercreditor Agreement, effective as of December 7, 1999, by and among the Borrower, the Senior Noteholders and the Subordinate Lenders (the "Original Agreement").

RECITALS:

A. Senior Security Holders have agreed to extend financial accommodations to Borrower pursuant to the terms of the Senior Loan Documents (defined below).

B. Subordinate Lenders are also shareholders of Borrower and have representatives on Borrower's Board of Directors.

C. As of December 31, 1996, Borrower entered into a non-revolving term loan with Silicon Valley Bank (the "Bank") which was evidenced, in part, by that certain Loan and Security Agreement dated as of December 31, 1996 (the "Subordinate Loan Agreement").

D. As security for the financial accommodations made pursuant to the Subordinate Loan Agreement, Borrower granted to Bank a security interest in certain assets of Borrower described more fully in the Subordinate Loan Agreement and herein.

E. Founders is the succeessor in interest to an investment portfolio formerly held by Forum Capital Markets, LLC ("Forum"). On or about November 20, 1998, Forum and the Pecks Parties purchased the interests of Bank in credit facility evidenced and secured by the Subordinate Loan Agreement and the Subordinate Loan Documents (defined herein).

F. When the Senior Noteholders made their advances to the Borrower, they required that Borrower and Subordinate Lenders agree to subordinate certain obligations of Borrower to

Subordinate Lenders. To reflect that agreement, Senior Noteholders, Forum and the Pecks Parties entered into the Original Agreement.

F. Borrower wishes to enter into an agreement with Boston Biosystems, Inc. ("BBI"), to sell to BBI certain of Borrower's assets (the "Transferred Assets") which are the subject of liens and security interests held by the Senior Security Holders and the Subordinate Lenders upon terms and under conditions set forth in an Asset Purchase Agreement between Borrower and BBI (the "BBI Transaction").

G. To close the BBI Transaction, Borrower wishes to obtain from the Senior Security Holders and the Subordinate Lenders a release of the Senior Security Holders' and the Subordinate Lenders' entire respective right, title and interest in and to their security interests in the Transferred Assets.

H. As a condition to making their financial accommodations, Senior Lenders have required, and the Borrower, Senior Noteholders and Subordinate Lenders have agreed, that the obligations of Borrower to Subordinate Lenders be further subordinated, that the Borrower's obligations to the Senior Lender's be pari passu with its obligations to the Senior Noteholders and that other processes be agreed to, as more fully set forth herein.

NOW, THEREFORE, in consideration of the foregoing Recitals and the mutual covenants and agreements set forth herein, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which hereby are acknowledged, and intending to be legally bound, the parties hereto agree as follows:

1. DEFINITIONS.

Certain terms used herein and not otherwise defined (including capitalized terms used in the foregoing Recitals) shall have the following meanings:

An "Acceleration" shall mean the occurrence of any acceleration of the principal and interest under any of the Borrower Obligations.

"Borrower's Public Filings" shall mean the periodic filings on Forms 10-K, 10-Q and 8-K, as filed from time to time with the U.S. Securities and Exchange Commission.

"Borrower Obligations" means the Senior Obligations or the Subordinate Obligations, as the context requires.

"Committee Event" shall have the meaning set forth in Section 2.2(a).

"Default" shall mean any Default or "default" under and as defined in the Senior Loan Documents or the Subordinate Loan Documents, as the context requires.

"Event of Default" means any Senior Event of Default or Subordinate Event of Default, as the context requires.

"Founders Representative" means Harold L. Purkey, or a successor chosen by Founders.

"Lenders Committee" shall have the meaning set forth in Section 2.2(a).

"Payment in Full" or "Paid in Full" or any similar term(s) with respect to any Borrower Obligation means (a) the indefeasible satisfaction and final payment in full of such Borrower Obligation in cash or cash equivalents reasonably acceptable to the payee and the termination of any obligation on the part of the holder of such Borrower Obligation to make any loans or to afford any financial accommodation to Borrower and the full and timely performance of all other obligations to the holder of such Borrower Obligation or (b) in the case of any Borrower Obligation consisting of contingent obligations (including without limitation contingent obligations in respect of letters of credit or other indemnifications under the Subordinate Loan Documents), the setting apart of cash sufficient to discharge such portion of such Borrower Obligation in an account for the exclusive benefit of the holders thereof, in which account such holders shall be granted by Borrower a first priority perfected security interest in a manner acceptable to such holders, which payment or perfected security interest shall have been retained by the holders, in the case of each of (a) and (b) above, for a period of time in excess of all applicable preference or other similar periods under applicable bankruptcy, insolvency or creditors' rights laws.

"Pecks Representative" means Arthur W. Berry or a successor chosen by the holders of a majority of the interests held by the Pecks Parties.

"Remedy Notification" means the written notification by Subordinate Lenders to Senior Noteholders and/or Senior Lenders or by Senior Noteholders and/or Senior Lenders to Subordinate Lenders of such party's desire to exercise a Remedy following the occurrence of an Event of Default.

"Remedy" means any the following actions by either Senior Lenders or Subordinate Lenders:

(i) the exercise of any rights or remedies they may have under the Subordinate Loan Documents or otherwise (other than a declaration of an Acceleration);

(ii) the commencement or joinder with any other creditors of Borrower in commencing any bankruptcy, reorganization, receivership or insolvency proceeding against Borrower; or

(iii) the commencement of any action or proceeding against Borrower to enforce or collect any Borrower Obligation, to obtain possession of property of Borrower, to exercise

control over property of Borrower or to create, perfect or enforce any lien against property of Borrower.

"Senior Event of Default" means any Event of Default under and as defined in the Senior Loan Documents.

"Senior Security Holders' Representative" means Youssef El-Zein (a representative designated by Pillar Investments Ltd.) or a successor representative chosen by the holders of a majority (measured by dollar amount) of the Senior Obligations, outstanding from time to time.

"Senior Loan Documents" means (i) the Borrower's 8% notes, due November 30, 2002, issued to Senior Noteholders, (ii) the Subscription Agreements between Borrower and each Senior Noteholder, (iii) the Warrant Agreements between Borrower and the Senior Noteholders, (iv) the Line of Credit and Security Agreement, dated as of July 10, 2000, between the Senior Lenders and Borrower (the "Line of Credit"), and (v) all other instruments, agreements and documents which create, evidence or secure the Senior Obligations from time to time (including but not limited to any promissory notes, security agreements, pledge agreements, hypothecation agreements, mortgages, financing statements, and all other agreements of any type whatsoever), delivered by Borrower to Senior Lenders, as such may be amended, modified, supplemented, restated, replaced or refinanced (in any such case with any Senior Lender) from time to time, including all such extensions, renewals, refinancings or refundings thereof, whether or not the principal amount is increased.

"Senior Obligations" means all obligations of the Borrower under the Senior Loan Documents including but not limited to principal, interest, fees and all other amounts owing to Senior Lenders under the Senior Loan Documents, from time to time. Notwithstanding the foregoing, the Senior Obligations shall not include any principal owed by the Borrower to the Senior Lenders in excess of $10,000,000 except with the consent of the Senior Security Holders' Representative and the Subordinate Lenders' Representatives.

"Subordinate Debt" means all principal, interest, fees and other amounts owing to Subordinate Lenders under the Subordinate Loan Documents from time to time, whether in respect of principal, interest or otherwise.

"Subordinate Event of Default" means any Event of Default under and as defined in the Subordinate Loan Documents.

"Subordinate Lenders' Representatives" shall mean the Pecks Representative and the Founders Representative.

"Subordinate Loan Agreement" shall have the meaning set forth in the Recitals.

"Subordinate Loan Documents" means Subordinate Loan Agreement and all other instruments, agreements and documents which create, evidence or secure the Subordinate Obligations from time to time.

"Subordinate Obligations" means all obligations of Borrower under the

Subordinate Loan Documents including but not limited to principal, interest, fees and all other amounts owing to Subordinate Lenders under the Subordinate Loan Documents, from time to time.

2. SUBORDINATION AND INTERCREDITOR PROVISIONS.

2.1. Subordination.

(a) Subordinate Lenders hereby consent to Borrower obtaining certain financial accommodations from Senior Security Holders, all on a senior secured basis.

(b) Senior Security Holders hereby acknowledge that Subordinate Lenders have been previously granted a security interest in certain of the assets of Borrower. Subordinate Lenders hereby acknowledge and agree that they are willing to and hereby do subordinate the Subordinate Obligations and the collateral securing such obligations to the Senior Obligations.

(c) Borrower and Subordinate Lenders each hereby represents and warrants to Senior Security Holders that a true, accurate and complete copy of all Subordinate Loan Documents has been either filed as an exhibit to Borrower's Public Filings or otherwise provided to Senior Security Holders' Representative or its counsel in writing, and that none of the Subordinate Loan Documents has been amended or modified in any way from the versions so filed or provided.

(d) Subordinate Lenders agree, for themselves and each future holder of the Subordinate Obligations, that: (i) subject to the terms hereof, the Subordinate Debt is and shall be expressly subordinate and junior in right of payment to all Senior Obligations until the Senior Obligations have been Paid in Full; (ii) Subordinate Lenders shall not accept additional security or further collateral to support the payment or performance of the Subordinate Debt, unless the Senior Security Holders are granted a lien or security interest in such additional collateral, and such lien or security interest in favor of Senior Security Holders is senior to the lien of the Subordinate Lenders; and (iii) Senior Security Holders have advanced funds in reliance upon the subordination of the Subordinate Debt and the collateral securing such debt to the Senior Obligations.

2.2. Lenders Committee.

(a) Senior Security Holders and Subordinate Lenders hereby agree to constitute a "Lenders Committee" immediately upon the first to occur of the following: (i) the occurrence of an Acceleration, or (ii) the occurrence of a Remedy Notification (a "Committee Event").

(b) The Lenders Committee shall have three members which shall be comprised of the Senior Security Holders' Representative and the two Subordinate Lenders' Representatives. Any matter which, under the terms of this Agreement or otherwise, requires a vote or action by

the Lenders Committee, shall require the affirmative votes of a majority of the members of the Lenders Committee.

(c) From and after its formation following a Committee Event, the Lenders Committee shall be charged solely with liquidating any collateral held by any of the Senior Security Holders or Subordinate Lenders by obtaining possession of or exerting control over such collateral, and perfecting or enforcing liens of the Senior Security Holders and the Subordinate Lenders against such collateral. Borrower and the Lenders Committee shall disburse any proceeds of such liquidation according to the priorities set by this Agreement.

(d) From and after any Event of Default, neither Senior Security Holders nor Subordinate Lenders may exercise a Remedy without first providing not less that ten (10) days advance written notice to the other Lenders of its desire to so exercise a Remedy (the "Remedy Notification"). Subsequent to the delivery of the Remedy Notification and the resulting formation of the Lenders Committee, then, until the date the Senior Obligations are Paid in Full, Subordinate Lenders shall not exercise any Remedy without either (a) direction or approval by the Lenders Committee or (b) express approval provided herein. Similarly, at any time prior to the date the Subordinate Obligations are Paid in

Full, Senior Security Holders shall not exercise any Remedy, without either (a) direction or approval by the Lenders Committee or (b) express approval provided herein.

(e) If any insolvency, bankruptcy, receivership, liquidation, reorganization or other similar proceedings are commenced by or against Borrower or its property, if any proceedings for involuntary liquidation, dissolution or other winding up of Borrower whether or not involving insolvency or bankruptcy are commenced by or against Borrower (collectively, any "Reorganization Proceedings"), then Senior Security Holders shall be entitled in any such Reorganization Proceedings to receive Payment in Full of all Senior Obligations before Subordinate Lenders are entitled in any the Reorganization Proceedings to receive any payment on account of the Subordinate Obligations. In any Reorganization Proceedings, any payment or distribution of any kind or character, whether in cash or in property to which Subordinate Lenders would be entitled on account of the Subordinate Obligations but for the provisions of this Agreement, shall be delivered to Senior Security Holders to the extent necessary to make Payment in Full of all Senior Obligations remaining unpaid, after giving effect to any concurrent payment or distribution to or for Senior Security Holders in respect thereof. Subject to the Payment-in-Full of all Senior Obligations, the holders of Subordinate Obligations shall be subrogated to the rights of the holders of the Senior Obligations (to the extent of payments or distributions made to holders of Senior Obligations pursuant to the foregoing sentence or Section 2.3(b)) to receive payments or distributions of the assets of Borrower applicable to the Senior Obligations. No such payments or distributions applicable to the Senior Obligations shall, as between Borrower and its creditors, other than the holders of Borrower Obligations, be deemed to be a payment by Borrower to or on account of the Subordinate Obligations; and for the purposes of such subrogation, no payments or distributions to the holders of Senior Obligations to which the holders of Subordinate Obligations would be entitled except for the provisions of this section shall, as between Borrower and its creditors, other than the holders of Borrower Obligations, be deemed to be a payment by Borrower to or on account of the Senior Obligations.

(f) Notwithstanding anything to the contrary contained herein, Subordinate Lenders may, in any proceedings described in Section 2.2 (e), in the name of Subordinate Lenders, file claims, proofs of claims and other instruments of similar character necessary to enforce the obligations of Borrower in respect of the Subordinate Obligations. Notwithstanding anything to the contrary contained herein, Senior Security Holders may, in any proceedings described in Section 2.2 (e), in the name of Senior Security Holders, file claims, proofs of claims and other instruments of similar character necessary to enforce the obligations of Borrower in respect of the Senior Obligations. Neither this Section 2.2(f) nor any other provision hereof shall be construed to give Subordinate Lenders any right to vote any Borrower Obligation held by Senior Security Holders, any related claim or any portion of such claim, whether in connection with any resolution, arrangement, plan or reorganization, compromise, settlement, election of trustees or otherwise, all such votes, as to Senior Obligations to be made solely on the direction of the Senior Security Holders. Neither this Section 2.2(f) nor any other provision hereof shall be construed to give Senior Security Holders any right to vote any Borrower Obligation held by Subordinate Lenders, any related claim or any portion of such claim, whether in connection with any resolution, arrangement, plan or reorganization, compromise, settlement, election of trustees or otherwise, all such votes, as to Subordinate Obligations to be made solely on the direction of the Subordinate Security Holders.

2.3. Payments of Borrower Obligations.

(a) The following provisions shall govern Subordinate Lenders' right to receive and Borrower's right and obligation to pay any amount due and owing under the Subordinate Loan Documents:

(i) Provided that the Subordinate Lenders' Representatives shall not have been notified that an Acceleration shall have occurred and be continuing or would be created thereby under the terms of any of the Senior Loan Documents, Subordinate Lenders may receive and Borrower may pay interest only at the interest rate set forth in the Subordinate Loan Documents as of the Effective Date, when due and owing on an unaccelerated basis and not at a rate applicable upon default.

(ii) Except as expressly permitted pursuant to Section 2.3(a)(i), Subordinate Lenders shall not be entitled to receive or retain any direct or indirect payment (in cash, cash-equivalents, property, by set-off or otherwise) of or on account of any Subordinate Obligation at any time prior to Payment in Full of the Senior Obligations; provided, however, Borrower may deliver to Subordinate Lenders' Representatives, at any time (including during the occurrence of an Event of Default under any of the Senior Loan Documents and/or the Subordinate Loan Documents), the proceeds from the sale of Subordinate Lender's Collateral, which sale shall be made in a manner directed or approved by the Lenders Committee. Except as expressly permitted pursuant to Section 2.3(a)(i) and (ii), at any time that any of the Senior Obligations is outstanding, Borrower shall not make and

Subordinate Lenders shall not receive or accept any payment (in cash, cash-equivalents, property, by set-off, "bid in" of debt in a disposition of collateral or otherwise) of any kind or nature with respect to the Subordinate Obligations.

(b) If Subordinate Lenders receive any payment with respect to the Subordinate Obligations which Subordinate Lenders are not permitted to receive and retain pursuant to this Agreement, then such payment shall be held in trust for the benefit of, and shall be paid over promptly to Senior Security Holders, for application to the payment of the Senior Obligations, in such order of priority as Senior Security Holders' Representative shall determine. If Subordinate Lenders pay over any payment or distribution as provided above, then such payment or distribution shall be deemed to have been made by Borrower directly to Senior Security Holders and not to Subordinate Lenders and no Subordinate Obligation shall be discharged by reason of its receipt of any payment or distribution which is so paid over to Senior Security Holders.

(c) To the extent necessary for Senior Security Holders to realize the benefits of the subordination of the Subordinate Obligations provided for herein, Subordinate Lenders shall execute and deliver to Senior Security Holders' Representative such instruments or documents (together with such assignments or endorsements as Senior Security Holders shall deem necessary), as are consistent with the terms of this Agreement and are reasonably requested by Senior Security Holders' Representative.

(d) In the event Subordinate Lenders at any time incur any obligation to pay money to Borrower, Subordinate Lenders hereby irrevocably agree that they shall pay such obligation in cash or cash equivalents in accordance with the terms of the document or instrument governing such obligation without deduction or set-off against the Subordinate Obligations.

2.4. Borrower's Obligations Absolute. The provisions of this Agreement are solely for the benefit of Borrower, Senior Security Holders and Subordinate Lenders for the purpose of defining the relative rights of the parties thereto. Nothing herein shall impair, as between Borrower and any other party hereto, the obligations of Borrower, which are unconditional and absolute, to Senior Security Holders and to Subordinate Lenders, respectively.

2.5. Transfers. Any Senior Security Holder or any Subordinate Lender may sell, assign or otherwise transfer, in whole or in part, any of the Borrower Obligations or any interest therein to any other person or entity, but only on the express condition that the transferee of the Borrower Obligations shall expressly acknowledge to the other parties to this Agreement, in writing, that it agrees to be bound by all of the terms hereof. Senior Security Holders and Subordinate Lenders each hereby represents and warrants to the others that as of the execution date hereof neither Senior Security Holders nor Subordinate Lenders has transferred or entered into any agreement or understanding with a proposed transferee that they will transfer any of the Borrower Obligations.

2.6. Liens Subordinate. (a) Subordinate Lenders agree that any liens upon Borrower's assets securing payment of the Subordinated Debt, now or hereafter existing, are and shall be and remain inferior and subordinate to any liens securing payment of the Senior

Obligations regardless of whether such encumbrances in favor of the Subordinated Lenders or Senior Security Holders presently exist or are hereafter created or attach.

(b) Senior Security Holders and Subordinate Lenders hereby agree that, after the Lenders Committee is constituted, the Lenders Committee may file any or all lien releases, UCC releases, and termination statements on behalf of the Senior Security Holders and the Subordinate Lenders at any time Borrower, or any successor, assign or agent of Borrower, proposes a sale of any asset that is approved by the Lenders Committee. In furtherance thereof, the Senior Security Holders and the Subordinate Lenders agree to execute, acknowledge and deliver any lien releases, UCC-3 termination statements or such additional instruments or documents as may be reasonably necessary to confirm the foregoing within three (3) business days of the request therefor by Lenders Committee.

2.7. Additional Representations and Warranties. Subordinate Lenders and Borrower represent and warrant to Senior Security Holders that:

(a) as of the date hereof, the total principal amount of the Subordinate Obligations is $7.3 million plus accrued but unpaid interest;

(b) except as indicated in Borrower's Public Filings or disclosed in writing to the Senior Security Holders' Representative and its counsel, which writing is hereby made a part hereof, as of the date hereof, to the best of their knowledge, after due enquiry, no default or Event of Default, or event which with notice or passage of time or both would constitute an Event of Default exists or has occurred under the Subordinate Loan Documents;

(c) Subordinate Lenders are collectively the exclusive legal and beneficial owner of all of the Subordinate Obligations;

(d) except as indicated in Borrower's Public Filings or disclosed in writing to the Senior Security Holders' Representative and its counsel, which writing is hereby made a part of this Agreement, none of the Subordinate Obligations is subject to any lien, security interest (other than Subordinate Lender's Collateral), financing statements, subordination, assignment or other claim; and

(e) this Agreement constitutes the legal, valid and binding obligations of Subordinate Lenders, enforceable in accordance with its terms.

2.8. Legends. Subordinate Lenders agree that any instrument at any time evidencing the Subordinate Obligations, or any portion thereof, shall be permanently marked on its face with a legend conspicuously indicating that payment thereof is subordinate in right of payment to the Senior Obligations and subject to the terms and conditions of this Agreement, and after being so marked certified copies thereof shall be delivered to Senior Security Holders. In the event any legend or endorsement is omitted, Senior Security Holders or any of their representatives, officers or employees are hereby irrevocably authorized on behalf of Subordinate Lenders to make the same. No specific legend, further assignment or endorsement or delivery of notes,

guarantees or instruments shall be necessary to subject any Subordinate Obligations to the subordination thereof contained in this Agreement.

2.9. Waiver of Covenant. Subordinate Lenders hereby waive any breaches or defaults arising from Borrower's failure to maintain compliance with Section 6.9 of the Subordinate Loan Agreement, entitled "Minimum Liquidity", such waiver to remain in effect so long as any amounts of Senior Obligations remain outstanding,

3. AGREEMENT BY BORROWER.

(a) Borrower hereby acknowledges and agrees to the foregoing terms and provisions, and agrees that the provisions hereof will bind Borrower, together with its successors and assigns.

(b) Borrower acknowledges and agrees that: (i) in the event of a breach by Borrower or Subordinate Lenders of any of the terms and provisions contained in this Agreement, such a breach shall constitute an Event of Default, as defined in and under the Senior Loan Documents; and (ii) it will execute and deliver such additional documents and take such additional action as may be necessary or desirable in the opinion of either Subordinate Lenders or Senior Security Holders to effectuate the provisions and purposes of this Agreement.

4. CONSENT AND RELEASE.

(a) Subordinate Lenders and Senior Noteholders each hereby consent to the execution of, and the parties' respective performance under, the June Loan Agreement, including: (i) the characterization of the Senior Lenders, in addition to the Senior Noteholders, as Senior Security Holders hereunder; (ii) the grant to the Senior Lenders of a security interest in the Collateral (as defined in the June Loan Agreement), which interest shall be subject to the terms and conditions of this Agreement; (iii) the repayment of the amounts due the Senior Lenders and the Senior Noteholders on a pari passu basis; and (iv) the concomitant further subordination of the Subordinate Lenders' security interest in certain of the assets of Borrower to the security interest of the Senior Lenders (in addition to the Senior Noteholders).

(b) Subject to the terms and conditions set forth in paragraphs (b) and (c) below, upon the closing of the BBI Transaction, the Subordinated Lenders and the Senior Security Holders each agree to forever release and surrender, in accordance with Section 2.6(b) hereof, all right, title and interest in any security interest such Subordinated Lender or Senior Security Holder may have in the Transferred Assets (the "BBI Security Interest"). Subordinate Lenders and Senior Security Holders agree to execute and file a UCC-3 Partial Release, and all other documents reasonably requested by Borrower, to effect as a matter of public record the release contemplated by this

(c) As consideration for the release and surrender of the BBI Security Interest, concurrently with the closing of the BBI Transaction, Borrower shall invest Five Million Dollars ($5,000,000) in a segregated, interest-bearing instrument (the "Money Market Instrument") and shall deliver and pledge the Money Market Instrument to the Subordinated Lenders and the

Senior Security Holders as collateral securing the payment of the Subordinated Obligations and the Senior Obligations. The pledge of the Money Market Instrument shall be pursuant to a written Pledge Agreement to be entered into by and between the Borrower and the Senior Security Holder's Representative, as collateral agent for the Senior Security Holders and the Subordinated Lenders. The Money Market Instrument shall be deemed to be "Collateral" under the Subordinated Loan Documents and the Senior Loan Documents, and shall be subject to and governed by the terms and conditions of this Agreement, the Senior Loan Documents and the Subordinate Loan Documents pertaining to Borrower's collateral. Borrower shall be entitled to receive any and all interest or other income generated by the Money Market Instrument for so long as no event of default on Borrower's part has occurred under the Subordinated Loan Documents or the Senior Loan Documents.

(d) To the extent that, and on each occasion that, the Senior Security Holders convert all or a portion of the principal amount and interest of debt held by them into capital stock of the Borrower pursuant to conversion rights under the Senior Loan Documents, in the amount of One Million Dollars ($1,000,000) or more in the aggregate: (i) the pledge shall be released as to a portion of the the Money Market Instrument equal to the principal amount of debt so converted; (ii) Borrower shall be entitled to reduce the amount of to use the released funds as it sees fit; and (iii) the Subordinated Lenders and the Senior Security Holders shall execute and deliver such instruments as may be necessary to effectuate the reduction and release.

5. MISCELLANEOUS.

5.1. Notices. Any and all notices given in connection with this Agreement shall be deemed adequately given only if in writing and addressed to the party for whom such notices are intended at the address set forth below. All notices shall be sent by personal delivery, Federal Express or other over-night messenger service, first class registered or certified mail, postage prepaid, return receipt requested or by other means at least as fast and reliable as

first class mail. A written notice shall be deemed to have been given to the recipient party on the earlier of (a) the date it shall be delivered to the address required by this Agreement; (b) the date delivery shall have been refused at the address required by this Agreement; or (c) with respect to notices sent by mail, the date as of which the postal service shall have indicated such notice to be undeliverable at the address required by this Agreement. Any and all notices referred to in this Agreement, or which either party desires to give to the other, shall be addressed as follows:

if to Borrower:	Hybridon, Inc. 155 Fortune Blvd. Milford, MA 01757 Attn.: President
with a copy to:	Holland & Knight One Beacon Street Boston, MA. Attn.: James Pollock, Esq.

if to Senior Security Holders:	Pillar Investments Ltd. Representative 28 Avenue de Messine Paris, FRANCE 75008 Attn: Youssef El-Zein
with a copy to:	Sachnoff & Weaver, Ltd. 30 South Wacker Drive Suite 2900 Chicago, Illinois 60606 Attn: Lance R. Rodgers, Esq.
if to Subordinate Lenders:	Pecks Management 1 Rockefeller Plaza, Suite 900 New York, NY 10020 Attn: Arthur W. Berry and Founders Financial Group 53 Forest Avenue Old Greenwich, CT 06870 Attn: Harold L. Purkey

The above addresses may be changed by notice of such change, mailed as provided herein, to the last address designated.

5.2. No Fiduciary Duty. Nothing in this Agreement shall be construed to create or impose upon any Senior Security Holders any fiduciary duty to any Subordinate Lender, or any other implied obligation to act or refrain from acting with respect to Borrower or the Senior Obligations or the collateral security securing the Senior Obligations in any manner contrary to what any Senior Security Holders may determine is in its own best interests. Similarly, nothing in this Agreement shall be construed to create or impose upon any Subordinate Lender any fiduciary duty to any Senior Security Holders, or any other implied obligation to act or refrain from acting with respect to Borrower or the Subordinate Obligations or the collateral security securing the Subordinate Obligations in any manner contrary to what any Subordinate Lender may determine is in its own best interests.

5.3. Notice of Default. In addition to any other notices which may be required hereunder, Subordinate Lenders shall give written notice to Senior Security Holders' Representative, promptly after they become aware of the occurrence of: (a) an Event of Default under the terms of the Subordinate Loan Documents; (b) the cure of any such Event of Default; (c) the payment in full of the Subordinate Debt; (d) any Acceleration of the Subordinate Debt; and (e) any action or proceeding instituted against Borrower on account of any Event of Default.

5.4. Successors; Continuing Effect.

(a) This Agreement is being entered into for the benefit of, and shall be binding upon, Borrower, each Senior Security Holders and each Subordinate Lender and their respective successors and assigns, including each subsequent or additional holder of Senior Obligations, or Subordinate Debt, and any participant (whether now existing or hereafter arising) in the Senior Obligations. The terms "Senior Security Holders" and "Subordinate Lenders" shall include, respectively, any such subsequent or additional holder of or participant in Senior Obligations or Subordinate Obligations whenever the context permits. This Agreement shall inure to the benefit of and be enforceable by any future holder or holders of the Borrower Obligations or any part of any of the same; provided that, nothing contained in this Section 5.4 shall be deemed to permit the transfer of the Subordinate Obligations in violation of the provisions of Section 2.5.

(b) Senior Security Holders reserve the right to grant participations in, or otherwise sell, assign, transfer or negotiate all or any part of, or any interest in, the Senior Obligations and the Collateral securing same. In connection with any participation or other transfer or assignment, Senior Security Holders (i) may disclose to such assignee, participant or other transferee or assignee all documents and information which Senior Security Holders now or hereafter may have relating to the Senior Obligations or the Collateral, and (ii) shall disclose to such participant or other transferee or assignee the existence and terms and conditions of this Agreement.

5.5. Amendments. This Agreement may be amended only by a written instrument executed by holders of a majorities in interest of each of the Senior Obligations and the Subordinate Obligations and, if such amendment affects Borrower, by Borrower.

5.6. Term. This Agreement shall remain in full force and effect until the Payment in Full of the Senior Obligations.

5.7. Waivers. No waiver shall be deemed to be made by any party of any of its rights hereunder unless the same shall be in writing and then only with respect to the specific instance involved, and no such waiver shall impair or offset the rights of the waiving party or the obligations of the party benefited by such waiver in any other respect or at any other time.

5.8. Governing Law. This Agreement, including the validity hereof and the rights and obligations of the parties hereunder, shall be governed by and construed and enforced in accordance with the laws of the Commonwealth of Massachusetts.

5.9. The Borrower May Not Impair Subordination. No right of Senior Security Holders or Subordinate Lenders to enforce the subordination created hereby shall be impaired by any act or failure to act by Borrower or by the failure by Borrower to comply with this Agreement, regardless of any knowledge which any Senior Security Holders or any Subordinate Lender may have or be otherwise charged with.

5.10. Specific Performance. The parties hereto acknowledge that legal remedies may be inadequate and therefore Senior Security Holders and Subordinate Lenders are hereby authorized to demand specific performance of the provisions of this Agreement at any time when Borrower, Senior Security Holders or Subordinate Lenders shall have failed to comply with any provision

hereof. Each party hereto hereby irrevocably waives any defense based on the adequacy of a remedy at law that might be asserted as a bar to such remedy of specific performance.

5.11. Further Actions. After the execution of this Agreement each party will execute and deliver all such documents and instruments and do all such other acts and things as may be reasonably necessary to carry out the provisions of this Agreement.

5.12. Agreement to Control. If any provision in any document or instrument relating to the Senior Obligations or the Subordinate Debt differs with the terms of this Agreement regarding the same or any similar matter, the provisions of this Agreement shall control and each other provision shall be interpreted so as to give effect to the provisions of this Agreement.

5.13. Entire Agreement. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior written and oral agreements, and all contemporaneous oral agreements, relating to such matters.

5.14. Severability. Any provision of this Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

5.15. Facsimile. For purposes of negotiating and finalizing this Agreement (including any subsequent amendments thereto), any signed document transmitted by facsimile machine ("Fax") shall be treated in all manner and respects as an original document. The signature of any party by Fax shall be considered for these purposes as an original signature. Any such Fax document shall be considered to have the same binding legal effect as an original document, provided that an original of the faxed document was mailed by first class U.S. Mail or personally delivered to the recipient, on the date of its transmission with proof of the fax transmission. At the request of any party, any Fax document subject to this Agreement shall be re-executed by both parties in an original form. The undersigned parties hereby agree that neither shall raise the use of the Fax or the fact that any signature or document was transmitted or communicated through the use of a Fax as a defense to the formation of this Agreement. This Agreement may be signed in one or more counterparts, each of which shall be an original, but all of which together shall constitute one agreement, binding on all of the parties hereto notwithstanding that all of the parties hereto are not signatories to the same counterpart. Each of the undersigned parties authorizes the assembly of one or more original copies of this Agreement through the combination of the several executed counterpart signature pages with one or more copies of this Agreement, including the Schedules and Exhibits, if any, to this Agreement. Each such compilation of this Agreement shall constitute one original of this Agreement.

5.16. Consent to Jurisdiction; Waiver of Jury Trial.

(a) BORROWER, SUBORDINATE LENDERS AND SENIOR SECURITY HOLDERS EACH HEREBY (i) TO THE EXTENT PERMITTED BY APPLICABLE LAW, IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY STATE OR FEDERAL

COURT LOCATED IN BOSTON, MASSACHUSETTS, OVER ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY MATTER ARISING FROM OR RELATED TO THIS AGREEMENT; (ii) IRREVOCABLY WAIVES, TO THE FULLEST EXTENT BORROWER, SUBORDINATE LENDERS AND SENIOR LENDERS MAY EFFECTIVELY DO SO, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT; (iii) AGREES THAT, TO THE EXTENT PERMITTED BY APPLICABLE LAW, A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN ANY OTHER JURISDICTION BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW; AND (iv) TO THE EXTENT PERMITTED BY APPLICABLE LAW, AGREES NOT TO INSTITUTE ANY LEGAL ACTION OR PROCEEDING AGAINST ANY PARTY HERETO OR ANY OF PARTY'S DIRECTORS, OFFICERS, EMPLOYEES, AGENTS OR PROPERTY, CONCERNING ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT OTHER THAN ONE LOCATED IN BOSTON, MASSACHUSETTS.

(b) NOTHING IN THIS SECTION SHALL AFFECT OR IMPAIR SENIOR SECURITY HOLDERS' OR SUBORDINATE LENDERS' RIGHT TO SERVE LEGAL PROCESS ON BORROWER IN ANY MANNER PERMITTED BY LAW OR SENIOR SECURITY HOLDERS' OR SUBORDINATE LENDERS' RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR BORROWER'S PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION.

(c) BORROWER, SENIOR SECURITY HOLDERS AND SUBORDINATE LENDERS EACH HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVES THE RIGHT TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED HEREON, ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT OR ANY COURSE OF CONDUCT, COURSE OF DEALINGS, STATEMENTS (WHETHER VERBAL OR WRITTEN) OR ACTIONS OF EITHER PARTY. EACH PARTY HERETO HEREBY EXPRESSLY ACKNOWLEDGES THIS WAIVER IS A MATERIAL INDUCEMENT FOR SENIOR SECURITY HOLDERS TO ENTER INTO THIS AGREEMENT AND TO MAKE THE LOANS EVIDENCED BY THE SENIOR LOAN DOCUMENTS.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Subordination Agreement as of the day, month and year first above written.

HYBRIDON, INC.

By: /s/ Robert G. Anderson

Name: Robert G. Anderson
Title: Chief Financial Officer and
Vice President of Operations & Planning

SENIOR LENDERS
By: Pillar Investments Ltd, Their Representative

By: /s/ Youssef Tel Zein

Name: Youssef Tel Zein

SENIOR NOTEHOLDERS
By: Pillar Investments Ltd, Their Representative

By: /s/ Youssef Tel Zein

Name: Youssef Tel Zein

FOUNDERS FINANCIAL GROUP

By: /s/ Harold L. Purkey

Name: Harold L. Purkey
Title: Partner

DELAWARE STATE EMPLOYEES RETIREMENT FUND DECLARATION OF TRUST FOR THE DEFINED BENEFIT PLANS OF ICI AMERICAN HOLDINGS INC DECLARATION OF TRUST FOR THE DEFINED BENEFIT PLANS OF ZENECA HOLDINGS INC. THE J.W. MCCONNELL FAMILY FOUNDATION GENERAL MOTORS EMPLOYEES DOMESTIC GROUP TRUST

By: PECKS MANAGEMENT PARTNERS, LTD.

By: /s/ Arthur W. Berry

Name: Arthur W. Berry
Title: Principal

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<INCOME-CONTINUING>		(4,562,598)
<DISCONTINUED>		(575,946)
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		(5,138,544)
<EPS-BASIC>		(0.43)
<EPS-DILUTED>		(0.43)