AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON AUGUST 14, 1998

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13
OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended: June 30, 1998 Commission File Number 0-27352

Hybridon, Inc.

(Exact name of registrant as specified in its charter)

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

155 Fortune Blvd.
Milford, MA 01757

(Address of principal executive offices, including zip code)

(508) 482-7500

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports 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 12, 1998
Common Stock, par value $.001 per share	15,256,825

HYBRIDON, INC.

FORM 10-Q

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PART I

ITEM 1.

HYBRIDON, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

ASSETS

	JUNE 30, 1998	DECEMBER 31, 1997
CURRENT ASSETS:		
Cash and cash equivalents	$ 5,518,682	$ 2,202,202
Restricted cash (Note 9)	1,592,368	--
Accounts receivable	264,122	529,702
Accounts receivable related to real estate limited partnership	5,450,000	--
Prepaid expenses and other current assets	883,676	1,005,825
Total current assets	13,708,848	3,737,729
PROPERTY AND EQUIPMENT, AT COST:		
Leasehold improvements	11,699,244	16,027,734
Laboratory equipment	9,041,452	6,770,402
Equipment under capital leases	1,601,535	4,879,190
Office equipment	1,839,824	1,947,818

Furniture and fixtures	1,474,862	645,264
Construction-in-progress	45,409	45,409
	25,702,326	30,315,817
Less--Accumulated depreciation and amortization	13,199,366	11,085,013
	12,502,960	19,230,804
OTHER ASSETS:		
Restricted cash	659,618	3,050,982
Notes receivable from officers	252,950	247,250
Deferred financing costs and other assets	982,289	3,354,767
Investment in real estate partnership	--	5,450,000
	3,487,225	12,102,999
	$ 28,106,665	$ 35,071,532

LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)

CURRENT LIABILITIES:		
Current portion of long-term debt and capital lease obligations	$ 4,754,478	$ 7,868,474
Accounts payable	4,194,048	8,051,817
Accrued expenses	4,758,350	11,917,298
Total current liabilities	13,706,876	27,837,589
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, NET OF CURRENT PORTION	596,431	3,282,123
9% CONVERTIBLE SUBORDINATED NOTES PAYABLE	1,300,000	50,000,000
STOCKHOLDERS' EQUITY(DEFICIT):		
Preferred stock, $.01 par value- Authorized--5,000,000 shares Issued and outstanding--None	--	--
Series A convertible preferred stock, $.01 par value- Authorized--5,000,000 shares Issued and outstanding--624,790 shares at June 30, 1998	6,248	--
Common stock, $.001 par value- Authorized--100,000,000 shares Issued and outstanding--15,254,825 and 5,059,650 at June 30, 1998 and December 31, 1997, respectively	15,255	5,060
Additional paid-in capital	239,154,024	173,695,698
Deficit accumulated during the development stage	(225,687,028)	(218,655,101)
Deferred compensation	(985,141)	(1,093,837)
Total stockholders' equity(deficit)	12,503,358	(46,048,180)
	$ 28,106,665	$ 35,071,532

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

HYBRIDON, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

			CUMULATIVE FROM MAY 25, 1989
	THREE MONTHS ENDED	SIX MONTHS ENDED	(INCEPTION) TO

	JUNE 30, 1998	1997	JUNE 30, 1998	1997	JUNE 30, 1998
REVENUES:					
Research and development	$ 649,915	$ 186,250	$ 799,915	$ 780,150	$ 5,799,263
Product revenue	681,620	727,704	1,506,689	1,075,858	4,963,641
Interest income	44,602	486,502	62,447	603,914	3,283,186
Royalty and other income	-	14,971	-	14,971	110,321
	1,376,137	1,415,427	2,369,051	2,474,893	14,156,411
OPERATING EXPENSES:					
Research and development	5,577,144	14,969,366	11,979,681	26,445,805	177,439,496
General and administrative	2,048,907	2,524,046	3,714,019	5,954,499	51,530,635
Restructuring charge	-	-	-	-	11,020,000
Interest	976,526	1,447,348	2,583,963	1,617,555	8,729,993
	8,602,577	18,940,760	18,277,663	34,017,859	248,720,124
Loss from operations	(7,226,440)	(17,525,333)	(15,908,612)	(31,542,966)	(234,563,713)
EXTRAORDINARY ITEM:					
Gain on conversion of 9% convertible subordinated notes payable	8,876,685	-	8,876,685	-	8,876,685
NET INCOME (LOSS)	$ 1,650,245	$(17,525,333)	$ (7,031,927)	$(31,542,966)	$ (225,687,028)
BASIC AND DILUTED INCOME (LOSS) PER COMMON SHARE FROM (Note 3):					
OPERATIONS	$ (.64)	$ (3.47)	$ (1.94)	$ (6.26)	
EXTRAORDINARY GAIN	$ .78	$ -	$ 1.08	$ -	
NET INCOME (LOSS)	$ .15	$ (3.47)	$ (.86)	$ (6.26)	
SHARES USED IN COMPUTING BASIC AND DILUTED NET LOSS PER COMMON SHARE (Note 2)	11,333,604	5,048,391	8,196,627	5,042,369	

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

HYBRIDON, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

	SIX MONTHS ENDED JUNE 30, 1998	1997	CUMULATIVE FROM MAY 25, 1989 (INCEPTION) TO JUNE 30, 1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (7,031,927)	$ (31,542,966)	$ (225,687,028)
Adjustments to reconcile net loss to net cash used in operating activities-			
Extraordinary gain on conversion of 9% convertible subordinated notes payable	(8,876,685)	-	(8,876,685)

Depreciation and amortization	1,785,353	2,241,374	12,971,807
Loss on disposal of fixed assets	228,000	-	228,000
Issuance of common stock for services rendered	1,195,398	146,875	1,342,273
Compensation on grant of stock options, warrants and restricted stock	108,696	188,412	8,232,494
Amortization of discount on convertible promissory notes payable	-	-	690,157
Amortization of deferred financing costs	225,816	250,395	922,285
Noncash interest on convertible promissory notes payable	-	-	260,799
Write-down of assets related to restructuring	4,600,000	-	5,200,000
Changes in operating assets and liabilities-			
Accounts receivable	265,580	(70,609)	(264,122)
Prepaid and other current assets	122,149	(108,610)	(883,676)
Notes receivable from officers	(5,700)	(4,663)	(252,950)
Amounts payable to related parties	-	-	(200,000)
Accounts payable and accrued expenses	(5,530,465)	(572,356)	14,438,650
Deferred revenue	-	(86,250)	-
Net cash used in operating activities	(12,913,785)	(29,558,398)	(191,877,996)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Increase in short-term investments	-	(16,267,615)	-
Purchases of property and equipment, net	(285,509)	(5,838,183)	(29,597,974)
Proceeds from sale of fixed assets	400,000	-	400,000
Investment in real estate partnership	-	-	(5,450,000)
Net cash provided by (used in) investing activities	114,491	(22,105,798)	(34,647,974)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of convertible preferred stock	6,804,562	-	103,388,716
Proceeds from issuance of common stock related to stock options and restricted stock grants	-	62,327	1,260,928
Proceeds from issuance of common stock related to stock warrants	-	9,075	3,185,816
Net proceeds from issuance of common stock	6,876,676	-	59,232,000
Repurchase of common stock	-	-	(263)
Proceeds from notes payable	-	-	9,450,000
Proceeds from issuance of convertible promissory notes payable	4,233,832	50,000,000	63,425,577
Proceeds from long-term debt	-	-	662,107
Payments on long-term debt and capital leases	(2,489,782)	(895,183)	(5,855,662)
Proceeds from sale/leaseback	-	1,165,236	4,001,018
Decrease (increase) in restricted cash and other assets	690,486	133,878	(3,448,646)
(Increase) decrease in deferred financing costs	-	(2,849,958)	(3,256,939)
Net cash provided by financing activities	16,115,774	47,625,375	232,044,652
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,316,480	(4,038,821)	5,518,682
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,202,202	12,633,742	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 5,518,682	$ 8,594,921	$ 5,518,682
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid for interest	$ 1,261,502	$ 492,555	$ 4,891,952

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

HYBRIDON, INC. AND SUBSIDIARIES
(A DEVELOPMENT STAGE COMPANY)

CONSOLIDATED CONDENSED BALANCE SHEETS

(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. The Company is in the development stage. 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 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 Division. As a result, although the Company has begun to generate revenues from its contract manufacturing business, the Company is dependent on the proceeds from possible future sales of equity securities, debt financings and research and development collaborations in order to fund future operations.

On May 5, 1998, the Company completed a private offering of equity securities raising total gross proceeds of approximately $27.3 million from the issuance of 9,597,476 shares of common stock, 114,285 shares of Series A convertible preferred stock and warrants to purchase 2,657,219 shares of common stock at $2.40 per share. The gross proceeds include the conversion of approximately $6.2 million of accounts payable, capital lease obligations and other obligations into common stock. The Company incurred approximately $2.6 million of cash expenses related to the private offering and issued 597,699 shares of common stock and warrants to purchase 1,720,825 shares of common stock at $2.40 per share to the placement agents. The compensation received by Pillar, a company affiliated with certain directors of the Company, with respect to the offshore component of the private offering (Offshore Offering) consisted of (i) 9% of gross proceeds of such Offshore Offering and (ii) a non-accountable expense allowance equal to 4% of gross proceeds of such Offshore Offering. Pillar received approximately $1.6 million and warrants to purchase 1,111,630 shares of common stock at $2.40 per share.

On February 6, 1998, the Company commenced an exchange offer to the holders of the 9% Convertible Subordinated Notes (the 9% Notes) (see Note 6) to exchange the 9% Notes for Series A convertible preferred stock and certain warrants of the Company. On May 5, 1998, Noteholders holding $48.7 million of principal and $2,361,850 of accrued interest tendered such principal and accrued interest to the Company for 510,505 shares of Series A convertible preferred stock and warrants to purchase 3,002,958 shares of common stock with an exercise price of $4.25 per share. In accordance with Statement of Financial Accounting (SFAS) No.15,

Accounting by Debtors and Creditors for Troubled Debt Restructurings, the Company recorded an extraordinary gain of approximately $8.9 million related to the conversion. The extraordinary gain represents the difference between the carrying value of the 9% Notes and the fair value of the Series A convertible preferred stock, as determined by the per share sales price of Series A convertible preferred stock sold in the private offering described above, and warrants to purchase common stock issued by the Company.

(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. 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, 1997, as filed with the Securities and Exchange Commission.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Income (Loss) per Common Share

The Company applies SFAS No. 128, Earnings per Share, in calculating earnings per share. Basic net income (loss) per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted net loss per share for the periods presented is the same as basic net loss per share as the inclusion of the potential common stock equivalents would be antidilutive.

(4) CASH EQUIVALENTS

The Company applies SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. Under SFAS No. 115, debt securities that the Company has the positive intent and ability to hold to maturity are recorded at amortized cost and are classified as held-to-maturity securities. These securities include cash equivalents and restricted cash. Cash equivalents have original maturities of less than three months. Cash and cash equivalents at June 30, 1998 and December 31, 1997 consisted of the following:

	June 30, 1998	December 31, 1997
Cash and cash equivalents-		
Cash and money market funds	$ 5,289,964	$ 1,702,272
Corporate bond	228,718	499,930
	$ 5,518,682	$ 2,202,202
Restricted cash-current		
Certificates of deposit (Note 9)	$ 1,592,368	$ -
Restricted cash-long term		
Certificates of deposit	$ -	$ 2,016,364
Savings account	659,618	1,034,618
	$ 659,618	$ 3,050,982

(5) RECEIVABLE FROM LIMITED PARTNERS OF REAL ESTATE LIMITED PARTNERSHIP

Under the terms of the Cambridge, Massachusetts building lease (Cambridge Lease), the Company accounted for $5,450,000 of its payments for a portion of the costs of construction of the leased premises as contributions to the capital of the Cambridge landlord in exchange for a limited partnership interest in the Cambridge landlord (the Partnership Interest). Under the terms of the Partnership Interest, the Company has the right at any time prior to February 2000 to sell the Partnership Interest back to the other limited partners of the landlord. In April 1998, the Company exercised its right to sell back the Partnership Interest. The contribution to the real estate partnership has been classified as a current asset at June 30, 1998, since the Company anticipates receiving payment from the limited partners within one year, in accordance with the terms of the Cambridge Lease.

(6) 9.0% CONVERTIBLE SUBORDINATED NOTES

On April 2, 1997, the Company issued $50,000,000 of the 9% Notes. As discussed in Note 1, on May 5, 1998 Noteholders holding $48.7 million of principal value of the 9% Notes tendered such notes in exchange for Series A convertible preferred stock and warrants to purchase common stock. In addition, $2,361,850 of accrued interest thereon was converted into shares of Series A convertible preferred stock and warrants to purchase common stock. As of June 30, 1998, 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. If the 9% Notes are converted prior to April 1, 2000, the

Noteholders are entitled to receive accrued interest from the date of the most recent interest payment through the conversion date. The 9% Notes are subordinate to substantially all of the Company's existing indebtedness. 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 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.

(7) NEW ACCOUNTING STANDARDS

Effective January 1, 1998, the Company adopted SFAS No. 130, Reporting Comprehensive Income. SFAS No. 130 requires disclosure of all components of comprehensive income on an annual and interim basis. Comprehensive income is defined as the change in equity of a business enterprise during a period from transactions and other events and circumstances from non-owner sources. The Company's total comprehensive net income (loss) for the three and six month periods ended June 30, 1998 and 1997 were the same as reported net income (loss) for those periods.

In July 1997, the FASB issued SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 requires certain financial and supplementary information to be disclosed on an annual and interim basis for each reportable segment of an enterprise. SFAS No. 131 is effective for fiscal years beginning after December 15, 1997. Unless impracticable, companies would be required to restate prior period information upon adoption. The Company believes that the adoption of SFAS No. 131 will not have a material impact on its financial results or financial position.

(8) RESTRUCTURING

Beginning in July 1997, the Company implemented a restructuring plan to reduce expenditures on a phased basis over the balance of 1997 in an effort to conserve its cash resources. As a part of this restructuring plan, the Company recorded an $11,020,000 restructuring charge in 1997 to provide for (i) the termination of certain research programs, (ii) the abandonment of certain leased facilities (net of sublease income), (iii) severance obligations to nearly 100 terminated

employees and (iv) the cancellation of certain other contracts. During June 1998, the Company vacated the Cambridge, MA facility and moved its corporate headquarters to Milford, MA.

The total cash impact of the restructuring amounted to approximately $5,165,000. The total cash paid as of June 30, 1998 was approximately $2,721,000 and the remaining amount will be paid in 1998.

(9) NOTE PAYABLE TO A BANK

In December 1996, the Company entered into a five year $7,500,000 note payable with a bank. The note contains certain financial covenants that require the Company to maintain minimum tangible net worth and minimum liquidity and prohibits the payment of dividends. The note is payable in 59 equal installments of $62,500 commencing on February 1, 1997 with a balloon payment of $3,812,500, due on January 1, 2002. During 1997, the Company's minimum liquidity had fallen below the required amount and the Company deposited $1,758,542 as collateral under the cash pledge agreement. During 1998, the bank withdrew the full amount of the restricted cash and applied it against the outstanding balance of the note. The minimum liquidity requirements were subsequently amended to provide that if as of the fifteenth and last day of each calendar month the Company does not have minimum liquidity of at least $8,000,000 or $4,000,000, as defined, the Company will be required to immediately repay to the bank 35% and 100%, respectively, of the then outstanding balance. Also, in connection with the note, the Company issued five year warrants to purchase 13,000 shares of common stock at an exercise price of $34.49 per share. These warrants were fully exercisable at December 31, 1997. As of June 30, 1998, approximately $4,611,000 was outstanding under the note, which is classified as a current liability in the accompanying June 30, 1998 balance sheet. Subsequent to June 30, 1998, the Company placed approximately $1.6 million in escrow at the bank's In addition, in August 1998 the $1.6 million will be applied against the outstanding amount of the note. Also, upon the closing of the sale of the Partnership Interest (see Note 5) the Company will be required to pay down an additional $750,000 on the note.

(10) METHYLGENE, INC. LICENSING AGREEMENT

In January 1996, the Company and MethylGene, Inc. (MethylGene) (a Canadian company which is over 30% owned by the Company) entered into a licensing agreement for the purpose of researching and developing compounds for the treatment of cancer and other indications. In May 1998, this agreement was amended to grant MethylGene a non-exclusive right to use all and any antisense chemistries discovered by the Company or any of its affiliates for a period commencing on May 5, 1998 and ending on the earlier of (i) the effective date of termination by MethylGene of its contract for development services to be provided by the Company, (ii) May 5, 1999, unless

MethylGene exercises its option to continue contracting for development services provided by the Company, or (iii) May 5, 2000. As additional consideration for this non-exclusive right, MethylGene is required to pay the Company certain milestone and royalty amounts, as defined, and transfer 300,000 shares of MethylGene's class B shares to the Company. The Company has placed no value on these shares.

(11) SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

The accompanying consolidated financial statements include the following information:

	SIX MONTHS ENDED JUNE 30,		CUMULATIVE FROM MAY 25,1989 (INCEPTION) TO JUNE 30,
	1998	1997	1998
SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:			
Issuance of Series A convertible preferred stock in exchange for conversion of 9% convertible subordinated notes payable and accrued interest	$ 51,061,850	$ -	$ 51,061,850
Issuance of common stock in exchange for conversion of convertible subordinated notes payable	$ 4,800,000	$ -	$ 4,800,000
Issuance of common stock in exchange for conversion of accounts payable, capital lease obligations and accrued interest	$ 6,434,308	$ -	$ 6,434,308
Issuance of common stock for services rendered	$ 1,195,398	$ -	$ 1,342,272

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

The Company is engaged in the discovery and development of genetic medicines based on antisense technology. The Company commenced operations in February 1990 and since that time has been engaged primarily in research and development efforts, development of its manufacturing capabilities and organizational efforts, including recruitment 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. 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 collaborative agreements, interest on invested funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by the Hybridon Specialty Products ("HSP") Division.

The Company has incurred cumulative losses from inception through June 30, 1998 of approximately $225.7 million. The Company implemented a restructuring plan in the second half of 1997 which will significantly reduce the Company's operating expenses and cost requirements in 1998 from 1997 levels. However, the Company expects that its research and development expenses will continue to be significant in 1998 and future years as it pursues its core drug development programs and expects to continue to incur operating losses and have significant capital requirements that it will not be able to satisfy with internally generated funds. The Company continues to explore opportunities to reduce operating expenses in an effort to conserve its cash resources. The number of employees has continued to decline, through attrition, resulting in a total of 50 full time employees as of August 10, 1998. In connection with the ongoing restructuring, the Company completed the relocation of its corporate headquarters to Milford, Massachusetts, the site of the Company's HSP Division. See "Liquidity and Capital Resources."

This Quarterly Report on Form 10-Q contains forward-looking statements. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects", "intends", "may", and other similar expressions are intended to identify forward-looking statements. There are a number of important factors that could cause the Company's actual results to differ materially from those indicated by such forward-looking statements. These factors include the matters set forth under

the heading "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Certain Factors that May Affect Future Results" in the Company's Annual Report on Form 10-K for the year ended December 31, 1997 (the "1997 10-K") which information is incorporated herein by reference.

RESULTS OF OPERATIONS

The Company had total revenues of $1,376,000 and $1,415,000 in the three months ended June 30, 1998 and 1997, respectively, and $2,369,000 and $2,475,000 in the six months ended

June 30, 1998 and 1997, respectively. Revenues from research and development collaborations were $650,000 and $186,000 for the three months ended June 30, 1998 and 1997, respectively, and $800,000 and $780,000 for the six months ended June 30, 1998 and 1997, respectively. Revenues for the three months ended June 30, 1998 increased primarily due to the Company receiving certain payments under its License Agreement with MethylGene, Inc., an entity in which the Company has an over 30% interest. Despite the increase in revenues for the full six months ended June 30, 1998, primarily as a result of the MethylGene payments, revenues for the full six months ended June 30, 1998 and 1997 were approximately the same due to the cancellation of the Roche collaboration in the first quarter of 1997.

Product revenue from HSP was $682,000 and $728,000 for the three months ended June 30, 1998 and 1997, respectively. The decrease was primarily due to the mix of products sold during the periods. Product revenue was $1,507,000 and $1,076,000 for the six months ended June 30, 1998 and 1997, respectively. The increase was a result of an expansion in the customer base and increasing sales to existing customers.

Interest income was $45,000 and $487,000 for the three months ended June 30, 1998 and 1997, respectively, and $62,000 and $604,000 for the six months ended June 30, 1998 and 1997, respectively. The decrease in interest income is attributable to the decrease in cash and investments held by the Company in 1998 as compared to 1997.

The Company had research and development expenses of $5,577,000 and $14,969,000 for the three months ended June 30, 1998 and 1997, respectively, and $11,980,000 and $26,446,000 for the six months ended June 30, 1998 and 1997, respectively. The decrease in research and development expenses in 1998 reflects the Company's restructuring commenced during the second half of 1997. The restructuring included the discontinuation of operations at the Company's facilities in Europe, termination of the clinical development of GEM 91 and the reduction or suspension of selected programs unrelated to the Company's core advanced chemistry antisense drug development program, including the termination of its ribozyme program. The restructuring resulted in significant reductions in employee-related expenses, clinical and outside testing, consulting, materials and lab expenses. The Company's facility costs in 1998 were also reduced by the income received from subleasing its unutilized facilities.

The Company had general and administrative expenses of $2,049,000 and $2,524,000 for the three months ended June 30, 1998 and 1997, respectively, and $3,714,000 and $5,954,000 for the six months ended June 30, 1998 and 1997, respectively. The decrease in general and administrative expenses in 1998 resulted primarily from the Company's restructuring program initiated during the second half of 1997 and its effect on employee-related expenses, consulting and net facilities costs.

The Company had interest expense of $977,000 and $1,447,000 for the three months ended June 30, 1998 and 1997, respectively, and $2,584,000 and $1,618,000 for the six months ended June 30, 1998 and 1997, respectively. The decrease in interest expense for the three months ended June 30, 1998 is mainly attributable

to the conversion of approximately $48.7 million of the 9% Convertible Subordinated Notes ("the 9% Notes"), issued in the second

quarter of 1997, to Series A Convertible Preferred Stock on May 5, 1998. The increase in interest expense for the six months ended June 30, 1998 is mainly attributable to the first quarter's interest expense of the 9% Notes which were originally issued in April 1997.

As a result of the above factors, the Company incurred losses from operations of $7,226,000 and $17,525,000 for the three months ended June 30, 1998 and 1997, respectively, and $15,909,000 and $31,543,000 for the six months ended June 30, 1998 and 1997, respectively.

The Company had extraordinary income of $8,877,000 for the three and six months ended June 30, 1998 resulting from the conversion of the 9% Notes to Series A Convertible Preferred Stock. See "Item 1 - Financial Statements -- Notes to Consolidated Condensed Financial Statements" for a discussion of the Company's extraordinary income. As a result of this transaction, the Company recorded a net income after extraordinary income of $1,650,000 for the three months ended June 30, 1998 and reduced its net loss to $7,032,000 for the six months ended June 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES

During the six months ended June 30, 1998, the Company's net cash used in operating activities amounted to $12,914,000. The Company's operating cash requirements were funded primarily through the utilization of existing cash, proceeds from the Company's private placement described in Item 2 of Part II of this Quarterly Report on Form 10-Q and in Note 1 to the Consolidated Condensed Financial Statements in Item 1 hereof and the sale of excess equipment. In addition, a portion of the Company's restricted cash was utilized to reduce the related debt and capital lease obligations.

Based on its current operating plan (which includes the sale of its interest in its former Cambridge headquarters (the "Cambridge Headquarters Facility"), and certain sales of equipment and furniture (collectively, the "Sales")), the Company believes that its existing capital resources, together with committed collaborative research and development payments from G.D. Searle & Co., certain research and development funding expected to be received from MethylGene, Inc., anticipated sales by the Company's HSP Division and anticipated margins on such sales, and the anticipated net proceeds of the Sales, will be adequate to fund the Company's capital requirements through 1998. The operating plan is based, in part, on the assumption that the Company will be relieved of its obligations under its lease for the Cambridge Headquarters Facility and that the Company will receive funds from the sale of its limited partnership interest (the "Limited Partnership Interest") in Charles River Building Limited Partnership, the entity which owns the Cambridge Headquarters Facility (the "Cambridge Landlord"), by the end of September 1998. The Cambridge Landlord is in the process of both re-leasing the Cambridge Headquarters Facility to a third party and selling the Cambridge Headquarters Facility and has advised the Company that it expects to complete such transactions by such date.

The Company has the right at any time prior to February 2000 to require the other limited partners in the Cambridge Landlord to purchase its Limited Partnership Interest. In April 1998, the Company exercised this right and anticipates receiving approximately $4,000,000 from such sale, which it expects will be funded from the Cambridge Landlord's sale of the Cambridge Headquarters

Facility. In addition, the Company expects to receive its security deposit of approximately $1,700,000 from the Cambridge Landlord. There can be no assurance as to the timing of such receipt, although the Company has been informed that it should receive such funds by September 1998.

The Company and Silicon Valley Bank have agreed in principle to amend their credit agreement as follows: (i) the minimum liquidity and minimum tangible net worth covenants will not be tested until the earlier of (x) September 30, 1998 and (y) the date of the Company's receipt of the sale proceeds of the Limited Partnership Interest (the "Proceeds"); (ii) the minimum liquidity covenant will be revised, including the removal of the $8,000,000 testing threshold, and (iii) the Company will prepay $1,592,386 of the loan upon execution of the definitive agreement and will prepay an additional $750,000 upon receipt of the Proceeds. The Company expects to enter into such definitive agreement in the near future.

The Company will be required to raise substantial additional funds through external sources, including through collaborative relationships and public or private financings, to support its operations and except for research and development funding from Searle (which is subject to early termination in certain circumstances), certain research and development funding expected to be received from MethylGene, Inc., and sale of DNA products and reagents manuyfactured on a custom contract basis by the HSP Division, Hybridon has no current external sources of capital, and, as discussed above, expects no product revenues for at least several years from sales of products that it is developing.

No assurance can be given that additional funds will be available to fund the Company's operations in future years, or, if available, that such funds will be available on acceptable terms. If additional funds are raised by issuing equity securities, further dilution to then existing stockholders will result. Additionally, the terms of any such additional financing may adversely affect the holdings or rights of then existing stockholders.

If adequate funds are not available, the Company may be required to further curtail significantly one or more of its core drug development programs, obtain funds through arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of its technologies, product candidates or products which the Company would otherwise pursue on its own or terminate operations.

The Company's future capital requirements will depend on many factors, including continued scientific progress in its research, drug discovery and development programs, the magnitude of these programs, progress with preclinical and clinical trials, sales of DNA products and reagents to third parties by the HSP Division and the margins on such sales, the time and costs involved in obtaining regulatory approvals, the costs involved in filing, prosecuting and enforcing patent claims, competing technological and market developments, the ability of the Company to establish and maintain collaborative academic and commercial research, development and marketing relationships, the ability of the Company to obtain third-party financing for leasehold improvements and other capital expenditures and the costs of manufacturing scale-up and commercialization activities and arrangements.

HYBRIDON, INC.

PART II

OTHER INFORMATION

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

During the quarter ended June 30, 1998, the Company issued and sold the following securities that were not registered under the Securities Act of 1933, as amended (the "Securities Act"):

I. Unregistered Offerings Pursuant to Section 4(2) Under the Securities Act

The securities issued in each of the following transactions were offered and sold in reliance upon the exemption from registration under Section 4(2) of the Securities Act, relating to sales by an issuer not involving a public offering. The securities issued in each of the following transactions were offered and sold solely to persons who were "accredited investors" as that term is defined in Regulation D promulgated under the Securities Act.

(1) On May 5, 1998, the Company accepted $48,694,000 principal amount of its 9% Convertible Subordinated Notes Due 2004 (the "9% Notes") tendered to the Company in exchange for 510,505 shares of series A preferred stock (the "Series A Preferred Stock") and warrants (the "Class A Warrants") to purchase 3,002,958 shares of common stock, par value $.001 per share (the "Common Stock"), of the Company (the "Exchange Offer"). As a result of the Exchange Offer, there is $1,306,000 in principal amount of the 9% Notes outstanding.

Pursuant to the Exchange Offer, which commenced on February 6, 1998, all tendering Noteholders received per $1,000 principal amount of the 9% Notes (including accrued but unpaid interest on the 9% Notes) (i) 10 shares of Series A Preferred Stock and (ii) Class A Warrants to purchase such number of shares of Common Stock equal to 25% of the number of shares of the Company's Common Stock into which the Series A Preferred Stock issued to such Noteholder pursuant to the Exchange Offer would be convertible.

The Series A Preferred Stock ranks, as to dividends and liquidation preference, senior to the Company's Common Stock. The Series A Preferred Stock issued in this Exchange Offer and in the Preferred Stock Offering, as defined below, will be convertible into an aggregate of 14,700,941 shares of Common Stock, subject to adjustment, beginning May 5, 1999.

The Class A Warrants will be exercisable commencing on May 5, 1999 for a period of four years thereafter at $4.25 per share of Common Stock, subject to adjustment. The Class A Warrants are not subject to redemption at the option of the Company under any circumstances.

The Exchange Offer was undertaken by the Company as part of the Company's new business plan contemplating a restructuring of its capital structure to reduce debt service obligations, a significant reduction in its burn rate and an infusion of additional equity capital.

(2) On May 5, 1998, the Company closed a private placement (the "Preferred Stock Offering") of (i) 114,285 shares of Series A Preferred Stock, which sold at $70 per share, and (ii) class D warrants (the "Class D Warrants") to purchase 672,273 shares of the Company's Common Stock, subject to adjustment, for an aggregate amount of approximately $8 million.

The Class D Warrants will be exercisable commencing on May 5, 1999 until May 4, 2003 at $2.40 per share of Common Stock, subject to adjustment.

The Company retained Forum Capital Markets, LLC ("Forum") as a placement agent of the Company in connection with the Preferred Stock Offering

in the United States. As of the date hereof, Forum has received as compensation for its services as placement agent with regard to the Preferred Stock Offering and its assistance with the Exchange Offer, 597,699 shares of Common Stock and warrants to purchase 609,195 shares of Common Stock exercisable at $2.40 per share, in each case subject to adjustment, until May 4, 2003. In addition, in consideration of the agreements made by Forum consenting to the Company's 1998 private placements described below and waiving certain obligations of the Company to Forum, the Company agreed to amend Forum's warrant dated as of April 2, 1997, to purchase up to 71,301 shares of Common Stock of the Company so that the exercise price will be equal to $4.25 per share, and the number of shares of Common Stock purchasable upon exercise thereof will be increased to 588,235, in each case subject to adjustment; provided, however, that such warrant will also be amended to provide that such warrant may not be exercised until May 5, 1999 and the transactions contemplated by such private placements and by the Exchange Offer will not trigger any anti-dilution adjustments to the exercise price thereof or the number of shares of Common Stock subject thereto.

The net proceeds to the Company from the Preferred Stock Offering are presently intended to be used for general corporate purposes, primarily research and product development activities, including costs of preparing investigational new drug applications and conducting preclinical studies and clinical trials, the payment of payroll and other accounts payable and for debt service required under the Company's debt obligations. The amounts actually expended by the Company and the purposes of such expenditures may vary significantly depending upon numerous factors, including the progress of the Company's research, drug discovery and development programs, the results of preclinical studies and clinical trials, the timing of regulatory approvals, sales of DNA products and reagents to third parties manufactured on a custom contract basis by the Hybridon Specialty Products Division and margins on such sales, technological advances, determinations as to the commercial potential of the Company's compounds and the status of competitive products. In addition, expenditures will also depend upon the establishment of collaborative research arrangements with other companies, the availability of other financing and other factors. Under certain circumstances, the Company may be required to use net proceeds to repay indebtedness under its credit agreement with Silicon Valley Bank (the "Silicon Valley Bank Credit Facility").

(3) On May 5, 1998, the Company closed a private placement of units (the "Unit Offering") consisting of (i) 2,754,654 shares of Common Stock, and (ii) class C warrants (the "Class C Warrants") to purchase 788,649 shares of Common Stock, subject to adjustment, which securities were issued in consideration of the cancellation or reduction of accounts payable, capital lease and other obligations aggregating $5,509,308.

The Class C Warrants are exercisable at $2.40 per share, subject to adjustment from time to time, until May 4, 2003.

The Common Stock issued pursuant to the Unit Offering and the Common Stock underlying the Class C Warrants are subject to a "lock-up" period ending on May 5, 1999, except to the extent such securities are sold or transferred pursuant to a Registration Statement. After the Company files a Registration Statement under the Securities Act, 75% of each holder's Units and the underlying securities will be subject to an additional "lock-up" for the first three months following the effective date of the Registration Statement (the "Effective Date"); thereafter, 50% of such securities will be subject to an additional "lock-up" until six months following the Effective Date; and the remaining 25% of such securities will be "locked-up" until nine months following the Effective Date.

(4) On May 5, 1998, the Company sold to Dr. Paul Zamecnik 100,000 shares of Common Stock and Class C Warrants to purchase 25,000 shares of Common Stock,

subject to adjustment, for a purchase price of $200,000.

The net proceeds of this offering were used to reduce accounts payable, capital lease and other obligations.

(5) On May 5, 1998, the Company issued to certain suppliers a total of 362,500 shares of Common Stock and Class C Warrants to purchase a total of 90,625 shares of Common Stock. These issuances were in consideration of (i) payment to the Company of a total of $362.50, the par value of all such issued Common Stock, and (ii) the subsequent furnishing of specified services to the Company by each supplier. The extent to which the suppliers have completed performing the specified services varies.

The Common Stock issued to Dr. Paul Zamecnik and to the certain suppliers and the Common Stock underlying the Class C Warrants issued to such persons are subject to a "lock-up" period ending on May 5, 1999, except to the extent such securities are sold or transferred pursuant to a Registration Statement. After the Company files a Registration Statement under the Securities Act, 75% of each holder's Units and the underlying securities will be subject to an additional "lock-up" for the first three months following the Effective Date; thereafter, 50% of such securities will be subject to an additional "lock-up" until six months following the Effective Date; and the remaining 25% of such securities will be "locked-up" until nine months following the Effective Date.

II. Unregistered Offerings Pursuant to Regulation S Under the Securities Act

The securities issued by the Company in the each of the following transactions were offered and sold in reliance upon an exemption from registration under Regulation S promulgated under the Securities Act, relating to sales by an issuer in offshore transactions (the "Offshore Offerings"). The securities issued in each of the following Offshore Offerings were offered and sold solely to persons who were "accredited investors" as that term is defined in Regulation D promulgated under the Securities Act.

(1) On January 15, 1998, the Company commenced a private placement of units (the "Units"), each Unit consisting of 14% Convertible Subordinated Notes Due 2007 (the "14% Notes") and warrants (the "Equity Warrants") to purchase shares of the Company's Common Stock (the "14% Note Offering"). The 14% Notes were subject to both mandatory and optional conversion into shares of series B preferred stock, under certain circumstances which, in turn, were convertible into Common Stock (the "Series B Preferred Stock").

On January 23, 1998, as part of the 14% Note Offering, the Company sold $2,230,000 in principal amount of 14% Notes and Equity Warrants.

On February 9, 1998, as part of the 14% Note Offering, the Company sold $2,384,000 in principal amount of 14% Notes and Equity Warrants.

On March 27, 1998, as part of the 14% Note Offering, the Company sold $200,000 in principal amount of 14% Notes and Equity Warrants.

On April 21, 1998, as part of the 14% Note Offering, the Company sold $300,000 in principal amount of 14% Notes and Equity Warrants.

On April 24, 1998, as part of the 14% Note Offering, the Company sold $1,020,000 in principal amount of 14% Notes and Equity Warrants.

In each of the above closings, the 14% Notes were issued at face value.

(2) On May 5, 1998, the Company closed a private placement of 3,223,000 shares of Common Stock and class B warrants (the "Class B Warrants") to purchase 805,750 shares of the Company's Common Stock, subject to adjustment, for aggregate gross proceeds of $6,446,000.

The Class B Warrants are exercisable for a period of five years at $2.40 per share of Common Stock, subject to adjustment from time to time.

The Common Stock issued in such private placement and the Common Stock underlying the Class B Warrants issued in such private placement are subject to a "lock-up" for a period ending on May 5, 1999, except to the extent such securities are sold or transferred pursuant to a Registration Statement filed by the Company under the Securities Act. After the Company files a Registration Statement under the Securities Act, 75% of each holder's Common Stock, including the Common Stock underlying the Class B Warrants, will

be subject to an additional "lock-up" for the first three months following the Effective Date; thereafter, 50% of such securities will be subject to an additional "lock-up" until six months following the Effective Date; and the remaining 25% of such securities will be "locked-up" until nine months following the Effective Date.

(3) The Company has exchanged all of the 14% Notes issued, including any right to interest thereon, and all Equity Warrants issued together with the 14% Notes, for 3,157,322 shares of Common Stock and Class B Warrants to purchase 947,195 shares of Common Stock.

The Company has retained Pillar Investments, Ltd. ("Pillar Investments") as a placement agent of the Company in connection with the private placements of securities of the Company in the Offshore Offerings. Pillar Investments is entitled to receive fees consisting of (i) 9% of the gross proceeds of each Offshore Offering, (ii) a non-accountable expense allowance equal to 4% of such gross proceeds, (iii) the right to purchase, for nominal consideration, warrants to purchase 473,598 shares of Common Stock, at an exercise price of $2.40 per share, (iv) the right to purchase, for nominal consideration, warrants to purchase such number of shares of the Common Stock of the Company equal to 10% of the aggregate number of shares of Common Stock sold by the Company for which Pillar Investments acts as placement agent, exercisable at 120% of the relevant Common Stock offering price, for a period of five years (resulting, as of the date hereof, in the right to receive warrants to purchase 638,032 shares at $2.40 per share, subject to adjustment), and (v) a consulting/restructuring fee of $960,000 payable in Common Stock of the Company valued at the market price and payable in three equal installments as net proceeds of $25,000,000, $30,000,000 and $35,000,000 are received in the aggregate from private placements effected by the Company in 1998 to the extent contemplated by the Consent dated as of January 12, 1998 given by certain 9% Noteholders of the Company, or otherwise to the extent contemplated by the Placement Agency Agreement between the Company and Pillar Investments. subject to the Company's receipt of a fairness opinion with regard thereto, provided, however, that in no event shall Pillar Investments be permitted to receive compensation in excess of the level which was approved by the holders of the 9% Notes. Through the date hereof, Pillar Investments has received $1,635,400 in cash pursuant to these arrangements.

The Company and Pillar Investments have entered into an advisory agreement pursuant to which Pillar Investments acts as the Company's non-exclusive financial advisor, which agreement provides that an affiliate of Pillar Investments receive a monthly retainer of $5,000 (with a minimum engagement of 24 months beginning on May 5, 1998), and further provides that

Pillar Investments is entitled to receive (i) out-of-pocket expenses, (ii) subject to the Company's receipt of a fairness opinion with respect thereto, 300,000 shares of Common Stock in connection with Pillar Investments' efforts in assisting the Company in restructuring its balance sheet, and (iii) certain cash and equity success fees in the event Pillar Investments assists the Company in connection with certain financial and strategic transactions.

The net proceeds to the Company from the Offshore Offerings are presently intended to be used for general corporate purposes, primarily research and product development activities, including costs of preparing investigational new drug applications and

conducting preclinical studies and clinical trials, the payment of payroll and other accounts payable and for debt service required under the Company's debt obligations. The amounts actually expended by the Company and the purposes of such expenditures may vary significantly depending upon numerous factors, including the progress of the Company's research, drug discovery and development programs, the results of preclinical studies and clinical trials, the timing of regulatory approvals, sales of DNA products and reagents to third parties manufactured on a custom contract basis by the Hybridon Specialty Products Division and margins on such sales, technological advances, determinations as to the commercial potential of the Company's compounds and the status of competitive products. In addition, expenditures will also depend upon the establishment of collaborative research arrangements with other companies, the availability of other financing and other factors. Under certain circumstances, the Company may be required to use net proceeds to repay indebtedness under the Silicon Valley Bank Credit Facility.

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

At the Company's Annual Meeting of Stockholders held on June 15, 1998, the stockholders re-elected the following three individuals as Class III Directors to hold office until the 2001 Annual Meeting of Stockholders:

	For	Against	Abstain
Dr. Sudhir Agrawal	7,944,840	203,844	0
Youssef El-Zein	7,942,216	206,468	0
E. Andrews Grinstead	7,937,748	210,936	0

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

Nasser Menhall
Mohamed A. El-Kheriji
Dr. James B. Wyngaarden
Dr. Paul C. Zamecnik

Pursuant to the Company's offer to exchange its 9% Convertible Subordinated Notes due 2004 (the "9% Notes") for Series A Preferred Stock and warrants, exchanging holders of the 9% Notes had the right to designate one person for nomination to the Company's Board of Directors. The exchanging holder of the 9% Notes selected Arthur W. Berry as their nominee and Mr. Berry was appointed as a Class I Director. Harold L. Purkey was also appointed as a Class I Director.

The stockholders also approved a proposal to amend the Company's 1997 Stock Incentive Plan. The holders of 6,422,087 shares of Common Stock voted for the proposal, the holders of 239,056 shares of Common Stock voted against the proposal, the holders of 21,209 shares of Common Stock abstained from voting and the holders of 1,466,332 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 the Company's consolidated financial statements. The holders of 8,137,125 shares of Common Stock voted for the ratification, the holders of 7,379 shares of Common Stock voted against and the holders of 4,180 abstained from voting.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

27 Financial Data Schedule (EDGAR)

99.1 Second Amendment to Loan and Security Agreement between Hybridon, Inc. and Silicon Valley Bank.

99.2 Financial Advisory Agreement between Hybridon, Inc. and Pillar Investments, Ltd.

99.3 Placement Agency Agreement between Hybridon, Inc. and Pillar Investments, Ltd.

(b) The following Current Reports on Form 8-K were filed during the quarter ended June 30, 1998:

1. On April 9, 1998, the Company filed a Current Report on Form 8-K dated April 9, 1998 reporting the closing on March 27, 1998 of $200,000 of Offering Notes and Warrants pursuant to the terms of the Overseas Offering.

2. On April 27, 1998, the Company filed a Current Report on Form 8-K dated April 27, 1998, reporting the closing on April 21, 1998 of $300,000 of Offering Notes and Warrants pursuant to the terms of the Overseas Offering.

3. On April 28, 1998, the Company filed a Current Report on Form 8-K dated April 28, 1998, reporting the closing on April 24, 1998 of $1,020,000 of Offering Notes and Warrants pursuant to the terms of the Overseas Offering.

4. On May 8, 1998, the Company filed a Current Report on Form 8-K dated May 8, 1998, reporting, inter alia, the closing on May 5, 1998 of approximately 6.6 million shares of Common Stock and approximately 114,300 shares of Series A Convertible Preferred Stock and that approximately $48.6 million principal amount of its 9% Notes were tendered to the Company to be exchanged for Series A Preferred Stock.

SIGNATURES

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

HYBRIDON, INC.

August 14, 1998	/s/ E. Andrews Grinstead III
- - ----------	----------
Date	E. Andrews Grinstead, III Chairman, President and Chief Executive Officer (Principal Executive Officer)
August 14, 1998	/s/ Robert G Andersen
- - ----------	----------
Date	Robert G. Andersen Treasurer (Principal Accounting and Financial Officer)

HYBRIDON, INC.

EXHIBIT INDEX

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EXHIBIT 99.1

SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT
BETWEEN
HYBRIDON, INC.
AND
SILICON VALLEY BANK

This Second Amendment is made, effective as of the 30th day of April, 1998 to that certain Loan and Security Agreement between Hybridon, Inc., a Delaware corporation with a principal place of business at 620 Memorial Drive, Cambridge, Massachusetts (the "Borrower") and Silicon Valley Bank (the "Bank") dated as of December 31, 1996, as amended by consent letter agreement (the"Consent Letter") dated January 15, 1998 and by First Amendment to Loan and Security Agreement dated March 30, 1998 (the "First Amendment). The Loan and Security Agreement as so amended is hereinafter referred to as the "Loan Agreement". Capitalized terms used, but not defined in this Second Amendment shall have the meanings ascribed to them in the Loan Agreement and ancillary documents, instruments and agreements, and ancillary documents, instruments and agreements, or if not so defined, shall have the meanings ascribed to them in the Uniform Commercial Code, or in the case of financial and accounting terms, in accordance with generally accepted accounting principles.

RECITALS

Pursuant to the Loan Agreement and on the terms and conditions set forth therein, on December 31, 1996, the Bank made a secured term loan to the Borrower in the original face amount of $7,500,000 (the "Loan"). The Borrower advised the Bank of its planned offering of Units of investment in the Borrower in January, 1998 (the "Original Offering"), which was consented to by the Bank pursuant to the Consent Letter and which was subsequently amended by the Borrower and consented to by the Bank in March, 1998 pursuant to the First Amendment. The term "Offering" as used in this Second Amendment shall include the Amended Offering or any other equity offering or corporate collaboration not involving indebtedness of the Borrower. In connection with the May 5, 1998 closing of the Offering (the "date of the closing of the Offering"), the Borrower has requested that the Bank defer the application of, or amend the application of, certain covenants contained in the Loan Agreement and in certain other documents, instruments and agreements executed and delivered in connection with the Loan Agreement.

The Bank is willing to consent to the further amendment of the Loan Agreement to accommodate the Offering, but only upon the terms and conditions set forth in this Second Amendment.

AGREEMENT

In consideration of the foregoing, and of the undertakings and obligations of the Borrower and the Bank set forth herein and for other good and valuable consideration, receipt and sufficiency of which are hereby acknowledged, the Borrower and Bank agree as follows:

1. The Borrower confirms that the outstanding balance of principal and interest on the Loan as of April 30, 1998 is as set forth in Schedule 1 hereto, and that the Borrower has no defense, claim or offset which would preclude full payment of such amount.

2. The Borrower ratifies and confirms: (i) its Obligations to the Bank under the Loan Agreement, as amended hereby, (ii) all of the representations and warranties made by it in the Loan Agreement, except as expressly disclosed to the Bank, and (iii) that it is in compliance with the covenants and agreements contained in the Loan Agreement except for its failure to maintain compliance with the covenants waived in the First Amendment, and except for its failure to comply with Section 6.10(c) of the Loan Agreement, to the extent that such failure is nevertheless in compliance with the Intellectual Property Security Agreement (the "IP Security Agreement") delivered by the Borrower in connection with the Consent Letter (it being agreed that the provisions of Section 6.10(c) shall be deemed superseded by the analogous provisions of the IP Security Agreement).

3. The Borrower shall on or before the earlier of: (i) May 15, 1998, or (ii) the date of closing of the Offering, pay to the Bank in good and immediately collectible funds the sum of Three Hundred Twenty-Five Thousand ($325,000) Dollars which had been advanced to the Borrower by the Bank on or about April 10, 1998.

4. The Bank and the Borrower agree that the Tangible Net Worth covenant established in Section 6.8 of the Loan Agreement shall be next tested by the Bank as of the earlier of: (i) May 15, 1998, or (ii) the date of the closing of the Offering (and compliance therewith shall be deemed waived or satisfied for all prior periods), and that such Tangible Net Worth covenant shall thereafter be tested as of the last day of each fiscal quarter commencing with the quarter ending June 30, 1998.

5. Section 6.9 of the Loan Agreement is hereby amended to read as follows, effective April 30, 1998, and the first test date for such covenant shall be the earlier of: (i) May 15, 1998, or (ii) the date of the closing of the Offering (and compliance therewith shall be deemed waived or satisfied for all prior periods):

"6.9. Minimum Liquidity. Borrower shall either (i) maintain as of the fifteenth of each month (or as of the next business day if the fifteenth is not a business day) and as of the last business day of each month, Minimum Liquidity of Eight Million ($8,000,000) Dollars, or (ii) make the payments required by this Section 6.9. "Minimum Liquidity" means the sum of (i) Borrower's book balance of unencumbered cash (including cash equivalents and marketable securities, but exclusive of the CRLP Withold), plus (ii) 50% of Borrower's Accounts Receivable. Cash encumbered solely by the Bank's personal property security interest shall be considered to be "unencumbered cash" for purposes of this covenant. If Borrower's Minimum Liquidity is less than Eight Million ($8,000,000) Dollars as of any test date, the Borrower shall pay to the Bank as an additional principal payment on the Committed Term Facility in good and immediately collectible funds an amount equal to thirty-five (35%) percent of the then outstanding balance of the Committed Term Facility; if Borrower's Minimum Liquidity is less than Four Million ($4,000,000) Dollars as of any test date, the Borrower shall pay to the Bank as a principal payment on the Committed Term Facility in good and immediately collectible funds an amount equal to one hundred (100%) percent of the then outstanding balance of the Committed Term Facility. Such payment shall be made on the next business day after the applicable Minimum Liquidity Covenant test date."

6. The Borrower further acknowledges that all reasonable out-of-pocket costs and expenses of the Bank in connection with negotiation,

documentation and administration of this Second Amendment, including reasonable fees of attorneys engaged to represent the Bank, shall be borne by the Borrower.

7. The Borrower acknowledges and confirms that to the extent that the Borrower may have any claims, offsets, counterclaims, or defenses, asserted or unasserted, the Borrower, for itself, and on behalf of its successors, assigns, parents, subsidiaries, agents, affiliates, predecessors, employees, officers, directors, executors and heirs, as applicable (collectively, the "Borrower Affiliates") releases and forever discharges the Bank, its subsidiaries, affiliates, employees, officers, directors, agents, successors and assigns, both present and former (collectively, the "Bank Affiliates") of and from any and all manner of claims, offsets, counterclaims, defenses, action and actions, cause and causes of action, suits, debts, controversies, damages, judgments, executions, and demands whatsoever, asserted or unasserted, in law or in equity, which against the Bank and/or the Bank Affiliates, they or the Borrower Affiliates ever had to and including the date hereof, upon or by reason of any matter, cause, causes or thing whatsoever, in connection with the Loan and/or any of the transactions and matters related thereto, except for the obligations of the Bank in such documents, instruments and agreements to be performed after the date of this Second Amendment. The Borrower shall indemnify, defend and hold the Bank harmless of and from any claim brought or threatened against the Bank by the Borrower or any other person (as well as

from attorneys' fees and expenses in connection therewith) on account of the Loan Agreement, the Note, the Consent Letter, the Intellectual Property Security Agreement, Pledge Agreement, Intercreditor Agreement, the First Amendment, this Second Amendment, and any other document, instrument or agreement given in connection with the Loan and any of the transactions and matters related thereto (each of which may be defended, compromised, settled or pursued by the Bank with counsel of the Bank's election reasonably acceptable to the Borrower, but at the expense of the Borrower), except in the case of the Bank's failure to comply with its obligations hereunder or thereunder, its gross negligence or willful misconduct.

8. To the extent possible, this Second Amendment shall be construed to be consistent with the provisions of the Loan Agreement; however, to the extent that the provisions of this Second Amendment expressly conflict with or contradict the provisions of the Loan Agreement, the provisions of this Second Amendment shall be deemed to control.

9. This Second Amendment represents the entire agreement between the parties with respect to the modifications contained herein, and shall be construed in accordance with the laws of the Commonwealth of Massachusetts as an agreement under seal. The Borrower has voluntarily entered into this Second Amendment without coercion or duress of any kind and has been or has had the opportunity to have been represented by legal counsel of their choosing.

WITNESS OUR hands and seals on this 19th day of May, 1998, effective as of April 30, 1998.

HYBRIDON, INC.

By:/s/E. Andrews Grinstead, III

SILICON VALLEY BANK

By:/s/Sean Lynden

SCHEDULE 1 TO
SECOND AMENDMENT TO LOAN AND SECURITY AGREEMENT
BETWEEN
SILICON VALLEY BANK
AND HYBRIDON, INC.

Principal Balance as of April 30, 1998	$5,124,675.22
Interest outstanding at April 30, 1998	54,755.84

May 5, 1998

Hybridon, Inc.
620 Memorial Drive
Cambridge, MA 02139
ATTN: Mr. E. Andrews Grinstead, III

Dear Sirs:

1. This is to confirm our understanding that Pillar Investments Ltd. and its affiliates and designees ("Pillar") have been engaged as a non-exclusive financial advisor of Hybridon, Inc. (the "Company") for a period of twenty-four (24) months commencing on the date hereof (unless otherwise extended pursuant to Section 11 hereto) (the "Term")). Capitalized terms not defined herein shall have the meaning ascribed to such terms in the Placement Agency Agreement (as defined below) or the Offering Documents (as defined in the Placement Agency Agreement).

2. The Company will pay Pillar a non-refundable retainer fee for Pillar's services hereunder in an amount equal to five thousand dollars ($5,000) per month ("Consulting Fee"), for an engagement of twenty-four (24) months, with this Consulting Fee payable on a monthly basis on the 1st day of the month to which such payment applies. The Company hereby consents to Pillar's assignment of the Consulting Fee to Pillar's affiliate, Pillar S.A., and the Company shall make any Consulting Fee payments directly to Pillar S.A.

The Company also agrees to pay in cash all reasonable out-of-pocket expenses incurred by Pillar in providing services hereunder, including reasonable fees and disbursements of Pillar's counsel, such expenses to be paid within thirty (30) days of submission of a bill or bills accompanied by reasonably detailed documentation by Pillar from time to time.

3. Upon the Closing of each Investment (as defined below) during the Term or during the twelve-month period following the expiration or earlier termination of the Term, the Company shall pay to Pillar a fee in an amount equal to nine percent (9%) of the aggregate dollar value of such Investment and shall issue to Pillar warrants to purchase an amount of securities equal to ten percent (10%) of the securities sold as part of such Investment at an exercise price equal to one-hundred-ten percent (110%) of the price of such securities, exercisable until seven (7) years from the date of issuance of such warrants. Such warrants will contain a cashless exercise feature, a provision for payment of the exercise price by promissory note and antidilution provisions. For the purposes of this Agreement, an Investment shall mean

any purchase of securities of the Company by an investor first introduced to the Company by or through Pillar and that is made during the Term or during the twelve-month period following the expiration of the Term. No compensation shall be due to Pillar pursuant to this paragraph 3 for an Investment with respect to which Pillar is entitled to compensation pursuant to the Placement Agency Agreement between Pillar and the Company and dated as of January 15, 1998 (the "Placement Agency Agreement") and provided further that if the terms of both the Placement Agency Agreement and this Agreement would be applicable to any particular Investment, the terms of the Placement Agency Agreement shall govern and Pillar shall only be entitled to the compensation set forth therein.

4. (a) Should the Company enter into an agreement with a party first introduced to the Company by or through Pillar during the Term or during the one-year period prior to the Term pursuant to which the Company consummates a sale, merger, consolidation, tender offer, business combination or similar transaction involving a majority of the business assets or stock of the Company

(a "Sale") during the Term, or during the twelve-month period following the expiration or earlier termination of such Term, then the Company shall pay to Pillar a cash fee (payable in cash simultaneously with the closing of such Sale) based on a percentage of the Aggregate Consideration (as defined in subsection (c) below) paid to the Company by the acquiror with respect to each Sale, which cash fee shall be equal to the sum of: (i) five percent (5%) of the first $20 million received in Aggregate Consideration; (ii) two point five percent (2.5%) of the next $30 million received in Aggregate Consideration; and (iii) one percent (1%) of all amounts in excess of $50 million received in Aggregate Consideration.

(b) Should the Company enter into an agreement with a party first introduced to the Company by or through Pillar during the Term or during the one-year period prior to the Term pursuant to which the Company consummates a transaction wherein the Company acquires all or substantially all of the business assets or stock of another entity in which the Company is the surviving entity (an "Acquisition") during the Term, or during the twelve-month period following the expiration or earlier termination of such Term, then the Company shall pay Pillar a cash fee (payable in cash simultaneously with the closing of such Acquisition) equal to the sum of: (i) five percent (5%) of the first $20 million received in Aggregate Consideration; (ii) two point five percent (2.5%) of the next $30 million received in Aggregate Consideration; and (iii) one percent (1%) of all amounts in excess of $50 million received in Aggregate Consideration.

(c) For purposes of calculating Pillar's fee under this Section 4, the aggregate consideration ("Aggregate Consideration") paid with respect to the business, assets or stock in connection with either a Sale or an Acquisition shall be equal to the total of all cash, securities and/or other assets paid by the acquiror or the Company, as applicable, for such business, assets or stock. Aggregate Consideration shall also include: (i) any commercial bank or similar indebtedness which is repaid or for which the responsibility to pay is assumed by the acquiror or the Company, as applicable, in connection with such transaction; (ii) the amount of the put

payment required to be paid pursuant to the terms of preferred stock that is assumed or acquired by the acquiror or the Company, as applicable (but only if such preferred stock is both subject to a put provision at the option of the holder and is not converted into common stock upon the consummation of such transaction); (iii) future payments for which the acquiror or the Company, as applicable, is obligated absolutely ("Future Payments"); and (iv) future payments for which the acquiror or the Company, as applicable, is obligated upon the attainment of milestones or financial results ("Contingent Payments"). The fee to be paid to Pillar as a result of Future Payments or Contingent Payments shall be paid upon the receipt of such payments by the Company. In the event that a Sale of the Company or an Acquisition by the Company is consummated through a multiple-step transaction wherein the acquiror is not obligated either absolutely or upon the attainment of milestones or financial results to make future payments to further increase the acquiror's ownership in the Company (the "Multiple-Step Payments"), the Company agrees to pay Pillar a fee on such Multiple-Step Payments which shall be calculated pursuant to this Section 4. Such fee shall be paid to Pillar upon receipt by the Company of such Multiple-Step Payments and shall be in addition to the fee paid to Pillar in the first step of such transaction.

5. Should the Company enter into an agreement with an investor first introduced to the Company by or through Pillar during the Term or during the one-year period prior to the Term pursuant to which the Company consummates a Strategic Alliance(s) (as defined below), during the Term or during the twelve-month period following the expiration or earlier termination of such Term, then the Company shall pay Pillar a cash fee (payable in cash simultaneously with the closing of such transaction) equal to the sum of: (i) five percent (5%) of the first $20 million received in Aggregate Consideration;

(ii) two point five percent (2.5%) of the next $30 million received in Aggregate Consideration; and (iii) one percent (1%) of all amounts in excess of $50 million received in Aggregate Consideration by the Company, its shareholders or employees in each such transaction. For the purpose of calculating Pillar's fee under this Section 5, Aggregate Consideration, for the purposes of this Section 5 only, shall be defined as: (i) all payments made at the closing of such transaction for equity securities, equity security rights or similar rights; (ii) technology access fees or similar up-front payments, (iii) other future payments, including without limitation, licensing fees, lump sum payments, and deferred technology access fees, to be made to the Company or its employees for which the Strategic Alliance partner(s) or other counter-parties (each a "Partner") is obligated either absolutely ("Strategic Future Payments") or upon the attainment of milestones or on a percentage basis ("Strategic Contingent Payments"); (iv) funding provided by the Partner (through reimbursement or otherwise) relative to research and development, testing, clinical trials and related expenditures (collectively, "Research and Development"), whether such work is performed, subcontracted or managed by the Company or the Partner; and (v) the repayment or assumption by the Partner of obligations of the Company, including indebtedness for money borrowed or amounts owed by the Company to inventors or owners of technology. Notwithstanding anything to the contrary contained herein, it is further understood that for the purpose of determining fees payable to Pillar under this Section 5, Aggregate Consideration shall

be reduced by (i) royalty payments, (ii) expenses of the Company for Research and Development or otherwise and which the Partner has agreed to reimburse to the Company under the written agreement relating to the applicable transaction or arrangement ("Written Agreement"), and (iii) payments by a Partner to the Company with respect to full time equivalents, as applicable, under a Written Agreement. The previous sentence notwithstanding, such Aggregate Consideration shall not be reduced by the amount of any fees due to Pillar hereunder. The fee to be paid to Pillar as a result of Strategic Future Payments and Strategic Contingent Payments shall be paid upon the receipt of such payments and shall be in addition to any fees paid at closing. A "Strategic Alliance" shall be defined as: (i) any joint venture, partnership, license or other contract for the research, development, manufacturing, marketing, distribution, sale or other activity relating to the Company's present and/or future products; (ii) the purchase of less than a majority of the business, assets or stock of the Company by a Partner(s); (iii) the sale, other than in the ordinary course of business, of any of the Company's assets or any rights in respect to its products and /or technology; and (iv) funding for all or part of the Company's research and development activities, whether such work is performed or managed by the Company or the Partner.

For the purposes of calculating Pillar's fee, securities constituting part of Aggregate Consideration which are traded on a national or recognized foreign securities exchange or reported on the Nasdaq or the OTC Bulletin Board shall be valued at the closing price thereof on the last trading date immediately preceding the date of the consummation or closing of any such transaction. Such securities that are traded over-the-counter without reported sale prices shall be valued at the mean between the latest bid and asked prices on the last trading date immediately preceding the consummation or closing of any such transaction.

6. In connection with Pillar's efforts in assisting the Company in restructuring its balance sheet, Pillar shall be paid a fee of $600,000, payable in the Common Stock of the Company and valued at the Common Stock Offering Price. Such fee shall be contingent upon the Company's receipt of an opinion as to the fairness to the Company of such payment from a financial point of view issued by an investment banking firm, appraisal firm or accounting firm, in each case of national standing. The Company, at its sole expense, shall use commercially reasonable efforts to secure such opinion as promptly as possible following the execution of this Agreement and shall coordinate and cooperate with and will furnish such information as is reasonably requested to such

investment banking firm, appraisal firm or accounting firm in connection with such fairness opinion.

7. In the event that the Company, its directors or management initiate any discussions with a third party in furtherance of any Sale, Acquisition, Investment or Strategic Alliance or receive any meaningful inquiry or are aware of the interest of any third party concerning a Sale, Acquisition, Investment or Strategic Alliance which is the subject of this Agreement, they shall promptly inform Pillar of the party and its interest.

8. Any financial advice rendered by Pillar pursuant to this Agreement shall not be disclosed publicly in any manner without Pillar's prior written approval, which shall not be unreasonably withheld, and shall be treated by the Company as confidential information. The Company shall provide Pillar with all financial and other information requested by Pillar for the purposes of rendering its services pursuant to this Agreement.

9. All non-public information given to Pillar by the Company shall be treated by Pillar as confidential information and shall not be used by Pillar except in rendering its services pursuant to this Agreement. Pillar may rely, without independent verification, on the accuracy and completeness of any information furnished to Pillar by the Company, unless Pillar has actual knowledge of the inaccuracy of such information, subject to the Company's obligations under the securities laws.

10. In the event that Pillar becomes involved in any capacity in any action, proceeding, investigation or inquiry in connection with any matter referred to in this Agreement or arising out of the matters contemplated by this Agreement, the Company shall, except in the case of gross negligence or willful misconduct of Pillar (but only to the extent that it is determined in a final judgment by a court of competent jurisdiction that the loss, damage or liability in respect of such action, proceeding, investigation or inquiry resulted directly from the gross negligence or willful misconduct of Pillar), reimburse Pillar for its legal and other expenses (including the cost of any investigation and preparation) as they are incurred by Pillar in connection therewith. The Company also agrees to indemnify each of Pillar, the directors, officers, employees and agents thereof (the "Indemnitees"), pay on demand and protect, defend, save and hold each Indemnitee harmless from and against any and all liabilities, damages, losses, settlements, claims, actions, suits, penalties, fines, costs or expenses (including, without limitation, attorneys' fees) (any of the foregoing, a "Claim") incurred by or asserted against any Indemnitee of whatever kind or nature, arising from, in connection with or occurring as a result of this Agreement or the matters contemplated by this Agreement, except in the case of gross negligence or willful misconduct of Pillar, but only to the extent that it is determined in a final judgment by a court of competent jurisdiction that the loss, damage or liability in respect of such Claim resulted directly from the gross negligence or willful misconduct of Pillar. The foregoing agreement shall be in addition to any rights that any Indemnitee may have in any other agreement, at common law or otherwise.

11. The Term of this Agreement shall be twenty-four (24) months commencing on the date hereof (unless otherwise extended by the mutual agreement of the parties hereto); provided, however, regardless of any termination, the rights to compensation contained in Sections 3, 4 and 5 and to indemnity and reimbursement contained in Section 10 shall survive. In addition to any retainer fees, Pillar shall be entitled to the reimbursement of reasonable expenses incurred by Pillar as a result of services rendered prior to the date of the termination.

12. This Agreement shall be governed by and construed in accordance with the laws of the State of New York without regard to principles of conflicts of law. The parties hereto

irrevocably consent to the jurisdiction of the courts of the State of New York and of any federal court located in such State in connection with any action or proceeding arising out of or relating to this Agreement, any document or instrument delivered pursuant to, in connection with or simultaneously with this Agreement, or a breach of this Agreement or any such document or instrument. In any such action or proceeding, each party hereto waives personal service of any summons, complaint or other process and agrees that service thereof may be made in accordance with this Section 12. Within thirty (30) days after such service, or such other time as may be mutually agreed upon in writing by the attorneys for the parties to such action or proceeding, the party so served shall appear or answer such summons, complaint or other process. Pillar hereby appoints Sachnoff & Weaver Ltd. as its agent for purposes of notice hereunder and to receive on behalf of Pillar service of copies of summons and complaints and other process which may be served in any such action or proceeding. All such notices to Pillar shall be sent to Sachnoff & Weaver, Ltd., 30 South Wacker Drive, Suite 2900, Chicago, Illinois 60606, Attn:
Lance R. Rodgers, Esq.

13. This Agreement shall be binding upon Pillar and the Company and the successors and assigns of Pillar.

14. (a) Pillar shall not have any obligation to the Company not to (i) engage in the same or similar activities or lines of business as the Company or develop or market any products, services or technologies that does or may in the future compete, directly or indirectly, with those of the Company, (ii) invest or own any interest publicly or privately in, or develop a business relationship with, any corporation, partnership or other person or entity engaged in the same or similar activities or lines or business as, or otherwise in competition with, the Company or (iii) do business with any client, collaborator, licensor, consultant, vendor or customer of the Company. Pillar and any of its officers, directors, employees or former employees and affiliates shall not have any obligation, or be liable, to the Company solely on account of the conduct described in the preceding sentence. In the event that Pillar and/or any officer, director, employee or former employee or affiliate thereof acquires knowledge of a potential transaction, agreement, arrangement or other matter which may be a corporate opportunity for both Pillar and the Company, neither Pillar nor any of its officers, directors, employees or former employees or affiliates shall have any duty to communicate or offer such corporate opportunity to the Company and neither Pillar nor any of its officers, directors, employees or former employees or affiliates shall be liable to the Company for breach of any fiduciary duty, as a stockholder or otherwise, solely by reason of the fact that Pillar or any of its officers, directors, employees or former employees or affiliates pursue or acquire such corporate opportunity for Pillar, direct such corporate opportunity to another person or entity or communicate or fail to communicate such corporate opportunity or entity to the Company. This Agreement shall not be construed, however, in any manner which may reduce the fiduciary obligations of the Company's directors under Delaware General Corporation Law.

(b) The provisions of this Section 14 shall be enforceable to the fullest extent permitted by law.

Please confirm that the foregoing is in accordance with your understanding by signing and returning to us the enclosed duplicate of this letter.

Sincerely yours,

PILLAR INVESTMENTS LTD.

By:_____
Name: _____
Title: _____

Confirmed as of the date hereof:

HYBRIDON, INC.

By:_____
Name: E. Andrews Grinstead, III
Title: President and CEO

HYBRIDON, INC.

PLACEMENT AGENCY AGREEMENT

Dated as of January 15, 1998

Pillar Investments Ltd.
28 Avenue de Messine
75008 Paris, France

Dear Sirs:

Hybridon, Inc., a Delaware corporation (the "COMPANY"), hereby confirms its agreement, on the terms and subject to the conditions set forth herein, to retain Pillar Investments Ltd. (the "PLACEMENT AGENT") to introduce the Company to, and to procure subscriptions from, persons who are "accredited investors" as that term is defined in Regulation D under the Act (as defined below) in offshore transactions in reliance on Regulation S under the Securities Act of 1933, as amended (the "ACT") (such Regulation, "REGULATION S"). The Placement Agent shall exercise its best efforts to procure subscriptions from prospective purchasers (those purchasers introduced to the Company by the Placement Agent, the "PURCHASERS") of a minimum of twenty (20) Units (as defined below) (the "MINIMUM OFFERING") and an aggregate maximum of four hundred (400) Units for the First Offering (as defined below) and one hundred fifty (150) Units for the Second Offering (as defined below) (the "MAXIMUM OFFERING"), with an option in favor of the Placement Agent ("PLACEMENT AGENT'S OPTION") to offer up to an additional one hundred fifty (150) Units for the First Offering and fifty (50) Units for the Second Offering, all at a purchase price of $100,000 per Unit (the "OFFERING").

The Company and the Placement Agent contemplate that the Offering will be conducted in phases. In phase one ("FIRST OFFERING"), each "UNIT" shall consist of either: (i) either (a) $100,000 principal amount of Notes due 2007 ("NOTES") which are automatically convertible into shares of Series B Preferred Stock of the Company, par value $0.01 per share ("SERIES B PREFERRED") upon the occurrence of the Mandatory Conversion Event, as defined in the Company's Confidential Term Sheet dated as of January 15, 1998 (together with all supplements, amendments and exhibits thereto and documents incorporated therein by reference, all of which constitute an integral part thereof, the "CTS #1"), or, after any Mandatory Conversion Event, (b) 1,000 shares of Series B Preferred, and in either case, certain warrants ("INITIAL OFFERING WARRANTS") to purchase common stock, of the Company, par value $.001 per share, ("COMMON STOCK"); or (ii) a number of shares of Common Stock equal to the quotient of (x) $100,000 divided by (y) the greater of (a) 85% of the Market Price (as defined in the Supplement and Amendment No. 2 to Confidential Term Sheet dated as of April 1, 1998) (the "SUPPLEMENT") and (b) $2.00, plus warrants to purchase up to the number of shares of Common Stock equal to 25% of the number of shares of Common Stock included in a Unit ("ALTERNATIVE EQUITY

WARRANTS"), all as more fully described in the Offering Documents (as defined below). Certain Purchasers who have purchased the Notes may exchange the principal of and accrued interest on the Notes and the Initial Offering Warrants for (a) Common Stock at the Common Stock Offering Price (as defined in the Supplement) and (b) warrants exercisable for such number of shares of Common Stock equal to 30% of the number of shares of Common Stock issued in exchange for the Notes ("EXCHANGE WARRANTS," which, together with the Initial Offering Warrants and Alternative Equity Warrants, shall be referred to herein, as applicable, as the "FIRST OFFERING WARRANTS").

In the second phase of the Offering ("SECOND OFFERING"), each "UNIT" shall consist of: (i) a number of shares of Common Stock equal to the quotient of (x) $100,000 divided by (y) the greater of (a) 85% of the Market Price (as defined in the Confidential Term Sheet dated as of July 1, 1998) (together with all supplements, amendments and exhibits thereto and documents incorporated therein by reference, all of which constitute an integral part thereof, the "CTS #2") and (b) $2.00, plus warrants to purchase up to the number of shares of Common Stock equal to 25% of (rounded to the nearest whole share) of the number of shares of Common Stock included in a Unit ("SECOND OFFERING WARRANTS" and, together with the First Offering Warrants, the "OFFERING WARRANTS"), all as more fully described in the Offering Documents (as defined below). It is contemplated that the Second Offering will consist of an aggregate maximum of one hundred and fifty (150) units with an option in favor of the Placement Agent to offer up to an additional fifty (50) Units. All subsequent references hereafter (unless otherwise indicated) to "Units" shall refer to both the Units sold pursuant to CTS #1 and Units sold pursuant to CTS # 2.

The sale to such Purchasers shall be made through a private placement by the Placement Agent (or its designated selected dealers) on a "best efforts" basis pursuant to CTS #1 and CTS #2 (together, "CTS"), Unit Purchase Agreements and related documents in accordance with Regulation S under the Act.

The CTS and the exhibits attached thereto, including without limitation the revised form of Unit Purchase Agreement attached to the Supplement as Supplemental Exhibit D and the Unit Purchase Agreement attached to CTS #2 as Exhibit F (together, the "UNIT PURCHASE AGREEMENTS"), the Warrant Agreement attached to the Supplement as Supplemental Exhibit C and the Warrant Agreement attached to CTS #2 as Exhibit J (together, the "WARRANT AGREEMENTS"), the Escrow Agreement, as amended, dated as of January 15, 1998 (the "FIRST ESCROW AGREEMENT") and the Escrow Agreement dated as of July 15, 1998 (the "SECOND ESCROW AGREEMENT", and together with the First Escrow Agreement, the "ESCROW AGREEMENTS") among the Company, the Placement Agent, and MeesPiersen (Cayman) Limited (the "ESCROW AGENT"), the Exchange Agreement among the Company and certain Purchasers ("EXCHANGE AGREEMENT"), the Financial Advisory Agreement (as defined in Section 5(j) below), the Placement Warrants (as defined in Section 4(c) below), the Advisory Warrants (as defined in Section 5(j) below) and this Placement Agency Agreement are collectively referred to herein as the "OFFERING DOCUMENTS."

The Company, at its sole cost, shall prepare and deliver to the Placement Agent a reasonable number of copies of the Offering Documents in form and substance satisfactory to the Placement Agent.

Each prospective investor subscribing to purchase Units shall be required to deliver, among other things, a Unit Purchase Agreement which shall include a Confidential Investor Questionnaire. The Company shall make available to each prospective purchaser at a reasonable time prior to the purchase of the Units the opportunity to ask questions of, and to receive answers from, the Company concerning the terms and conditions of the Offering and the opportunity to obtain additional information necessary to verify the accuracy of the Offering Documents delivered in connection with the purchase of the Units to the extent it possesses such information or can acquire it without unreasonable effort or expense. After the prospective investors shall have had an opportunity to review the Offering Documents, and have had the opportunity to address all inquiries to the Company, separate Unit Purchase Agreements shall be completed by each prospective investor. The Placement Agent, in its sole discretion, shall have the right, and the Company, with the consent of the Placement Agent, shall have the right to reject subscriptions in whole or in part. The Company shall evidence its acceptance of a subscription by countersigning a copy of the

applicable Unit Purchase Agreement and returning the same to the Placement Agent.

Capitalized terms used in this Agreement, unless otherwise defined herein or unless the context otherwise indicates, shall have the same meanings provided in the Offering Documents.

1. Appointment of Placement Agent.

(a) The Placement Agent is hereby appointed placement agent of the Company (subject to the Placement Agent's right to have Selected Dealers, as defined in Section 1(c) hereof, participate in the Offering) during the Offering Period herein specified for the purposes of assisting the Company in finding qualified subscribers in offshore transactions under Regulation S pursuant to the Offering described in the Offering Documents. The Placement Agent shall not be deemed an agent of the Company for any other purpose. The "OFFERING PERIOD" shall commence on the day the CTS #1 is first made available to the Placement Agent by the Company for delivery in connection with the offering for the sale of the Units (the "COMMENCEMENT DATE"). Upon receipt of the Minimum Offering amount, the Placement Agent may conduct a closing (the "INITIAL CLOSING DATE") and may conduct subsequent closings on an interim basis until the relevant Maximum Offering amount (and any Placement Agent's Option amount) has been reached or the Offering is terminated (the "FINAL CLOSING DATE"). Each such closing may be referred to herein as a "CLOSING". If not terminated earlier pursuant to this Agreement, the Offering Period shall terminate at 11:59 a.m. New York City Time on December 31, 1998, subject to an extension, (written notice of which shall be provided to the Company), at the option of the Placement Agent, for an additional sixty (60) days (the "TERMINATION DATE"), accordingly, the Offering Period shall terminate on the Final Closing Date or the Termination Date, as the case may be. If subscriptions for the Minimum Offering amount of 20 Units are not received prior to the end of the Offering Period, the Offering will be terminated and all funds received from Subscribers will be returned, without interest and without any deduction.

(b) Subject to the performance by the Company of all of its obligations to be performed under this Agreement and to the completeness and accuracy of all representations and warranties of the Company contained in this Agreement, the Placement Agent hereby accepts such agency and agrees to use its best efforts to assist the Company in finding qualified subscribers pursuant to the Offering described in the Offering Documents. It is understood that the Placement Agent has no commitment to sell the Units. The Placement Agent's agency hereunder is not terminable by the Company prior to the Termination Date except as set forth in Section 8(g).

(c) The Placement Agent may engage other persons, selected by it in its sole discretion, who are members of the National Association of Securities Dealers, Inc. ("NASD"), or who are located outside the United States and that have executed a Selected Dealers Agreement (each such person being hereinafter referred to as a "SELECTED DEALER") and the Placement Agent may allow such persons such part of the compensation and payment of expenses payable to the Placement Agent hereunder as the Placement Agent shall determine; provided, however, that any such compensation shall be received pursuant to Section 4(c) hereof. Notwithstanding the above, the Placement Agent may not engage any Selected Dealer unless such Selected Dealer makes representations, warranties and covenants substantially the same as those contained in Section 3 hereof. The Placement Agent shall use its reasonable efforts to conduct the Offering and ensure that its designees and any Selected Dealers designated by the Placement Agent conduct the

Offering in compliance with applicable United States securities laws, so as to preserve the exemption provided under Regulation S under the Act and any applicable rules or regulations promulgated thereunder, and any securities laws of other relevant jurisdictions.

(d) Subscriptions for Units shall be evidenced by the execution by qualified subscribers of a Unit Purchase Agreement. No Unit Purchase Agreement shall be effective unless and until it is accepted by the Company. Until a closing is held, all subscription funds received shall be held in escrow as described in the Escrow Agreement. The Placement Agent shall not have any independent obligation to verify the accuracy or completeness of any information contained in any Unit Purchase Agreement or the authenticity, sufficiency, or validity of any check delivered by any prospective investor in payment for Units, nor shall the Placement Agent incur any liability with respect to any such check.

2. Representations and Warranties of the Company. The Company represents and warrants to the Placement Agent and each Selected Dealer, if any, as follows, except as set forth on the Schedule of Exceptions attached hereto:

(a) Securities Law Compliance. The Offering Documents, as of their respective dates do, and as of the date of the CTS and,. with respect to the First Offering, as of the final closing date under the First Offering ("FIRST FINAL CLOSING DATE"), and with respect to the Second Offering, as of each Closing, shall describe the material aspects of an investment in the Company and conform in all respects with the requirements of Regulation S and with the requirements of all other published rules and regulations of the Securities and Exchange Commission (the "COMMISSION") currently in effect relating to offerings to persons in offshore transactions in reliance on Regulation S. Neither the Units nor the securities underlying the Units have been registered under the Act and have not been offered or sold by the Company or authorized to be sold by the Company within the "United States" or to "U.S. Persons" (as such terms are defined in Regulation S), except in compliance with registration requirements of the Act or pursuant to an exemption therefrom. The Offering Documents shall not, as of the date of the CTS and, with respect to the First Offering, as of the First Final Closing Date, and with respect to the Second Offering, as of each Closing, contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that no representation is made with respect to information relating to the Placement Agent which is provided in writing by the Placement Agent to the Company specifically for inclusion in the Offering Documents. If at any time prior to the completion of the Offering or other termination of this Agreement any event shall occur as a result of which it becomes necessary to amend or supplement the Offering Documents so that they do not include any untrue statement of any material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances then existing, not misleading, the Company will promptly notify the Placement Agent and will supply the Placement Agent (or the prospective Purchasers designated by the Placement Agent) with amendments or supplements correcting such statement or omission. The

Company shall also provide the Placement Agent for delivery to all offerees and Purchasers and their representatives, if any, any information, documents and instruments which the Placement Agent and the Company's counsel reasonably deem necessary to comply with applicable state and federal law.

The Company acknowledges that the Placement Agent (i) has not supplied any information for inclusion in the Offering Documents other than information relating to the Placement Agent furnished in writing to the Company by the Placement Agent specifically for inclusion in the Offering Documents; (ii) has no obligation independently to verify any of the information in the Offering Documents; and (iii) has no responsibility for the accuracy or completeness of the Offering Documents, except for the information, relating to the Placement Agent, furnished in writing by the Placement Agent to the Company specifically for inclusion in the Offering Documents.

(b) Organization, Good Standing and Qualification. With respect to the First Offering, as of the Final Closing Date, and with respect to the Second Offering, as of each Closing, the Company will be a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and will have the corporate power and authority to conduct its business as described in the CTS. The Company is duly qualified to do business as a foreign corporation and on the Final Closing Date will be in good standing in Massachusetts and in each jurisdiction in which the nature of the business conducted, or as proposed to be conducted in the CTS, by it or the properties owned, leased or operated by it, makes such qualification or licensing necessary and where the failure to be so qualified or licensed would have a material adverse effect upon the business, operations or financial condition of the Company.

(c) Capitalization and Voting Rights. The authorized, issued and outstanding capital stock of the Company, as of the date of the CTS, is as set forth in the CTS under the heading "Equity Capitalization and Indebtedness"; all issued and outstanding shares of capital stock of the Company are validly issued, fully paid and nonassessable. Except as set forth in the CTS, as of the date of the CTS, there are no outstanding options (except those approved by the Board of Directors of the Company for issuance under the Company's employee stock option plan), warrants, agreements, convertible securities, preemptive rights or other rights to subscribe for or to purchase any shares of capital stock of the Company. Except as set forth in the CTS, in the Unit Purchase Agreements and as otherwise required by law, there are no restrictions upon the voting or transfer of the Transfer Restricted Securities (as defined in the Unit Purchase Agreement) pursuant to the Company's Certificate of Incorporation, as amended (the "CERTIFICATE OF INCORPORATION"), By-laws or other governing documents or any agreement or other instruments to which the Company is a party or by which the Company is bound.

(d) Subsidiaries and Investments. Other than as disclosed in the CTS, the Company does not own, directly or indirectly, capital stock or other equity ownership or proprietary interests in any other corporation, association, trust, partnership, joint venture or other entity.

(e) Authorization; Enforceability. The Company has the corporate power and authority to enter into each of the Offering Documents to which it is a party and to consummate the transactions contemplated thereby. All corporate action on the part of the Company, its directors and stockholders necessary for the execution, delivery and performance of the Offering Documents to which it is

a party by the Company, the sale, issuance and delivery of the Units contemplated by such Offering Documents and the performance of the Company's obligations under such Offering Documents has been taken, including requisite approval of such documents and the transactions contemplated thereunder by the members of the Company's Board of Directors who are not affiliates of the Placement Agent. The Offering Documents to which the Company is a party have been duly executed and delivered by the Company and constitute the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with their terms, subject to laws of general application relating to bankruptcy, insolvency and the relief of debtors and rules of law governing specific performance, injunctive relief or other equitable remedies, and to limitations of public policy. Upon the issuance and delivery of the securities contemplated to be sold pursuant to the Offering Documents and the Registrable Securities, as contemplated by the Offering Documents, (collectively, the "OFFERING SECURITIES") such securities will be duly and validly authorized and issued, fully paid and nonassessable. The issuance and sale of the Offering Securities will not give rise to any preemptive rights or rights of first refusal on behalf of any person. The Company has full corporate power and lawful authority to authorize, issue and sell the Units to be sold to the Purchasers and the securities underlying the Units. No consent is required by the Company or from any third party (other than the Securities and Exchange Commission and state blue sky authorities, but only insofar as such consent relates to the Company's obligation to register the Registrable Securities (as defined in the Unit Purchase Agreements)) to perform any of the Company's obligations under the Offering Documents. Any increase to the number of authorized shares of Common Stock will require, among other things, the approval of the holders of a majority of the outstanding Common Stock of the Company.

(f)Financial Statements. The Company's financial statements contained in the Offering Documents have been prepared in conformity with generally accepted accounting principles consistently applied and show all material liabilities, absolute or contingent, of the Company required to be recorded thereon and present fairly the financial position and results of operations of the Company as of the dates and for the periods indicated, subject in the case of unaudited interim financial statements, to normal year-end adjustments.

(g)No Conflict; Governmental Consents.

(1)The execution and delivery by the Company of this Agreement and the consummation by the Company of the transactions contemplated by the Offering Documents will not result in the violation of any law, statute, rule, regulation, order, writ, injunction, judgment or decree of any court or governmental authority to or by which the Company is bound, or of any provision of the Certificate of Incorporation or By-laws of the Company, and will not conflict with, or result in a material breach or violation of, any of the terms or provisions of, or constitute (with due notice or lapse of time or both) a material default under, any material lease, loan agreement, mortgage, security agreement, note, trust indenture or other agreement or instrument to which the Company is a party or by which it is bound or to which any of its properties or assets is subject nor result in the creation or imposition of any lien upon any of the properties or assets of the Company other than in favor of the Secured Party.

(2)No consent, approval, authorization or other order of any governmental authority or other third-party under any material agreement to which the Company is a party is required to be obtained by the Company in connection with the authorization, execution and delivery of this Agreement or with the authorization, issuance and sale of the Units, except such as have already been obtained and such filings as may

be required to be made and have been made with the Securities and Exchange Commission and with any state or foreign "blue sky" or securities regulatory authority.

(h) Governmental Authorizations. Except as set forth in the CTS, the Company has, on the date hereof and, with respect to the First Offering, on the First Final Closing Date, and with respect to the Second Offering, as of each Closing Date, all material licenses, permits and other governmental authorizations currently required for the conduct of its business or ownership of properties and is in all material respects complying therewith.

(i) Litigation. Except as set forth in the CTS, on the date hereof and, with respect to the First Offering, on the First Final Closing Date, and with respect to the Second Offering, as of each Closing Date, the Company knows of no pending or, to the knowledge of the Company, threatened legal or governmental proceedings against the Company which could materially adversely affect the business, financial condition or operations of the Company (other than proceedings with respect to overdue trade payables not exceeding $8 million, which payables were incurred in the ordinary course of business).

(j) Accuracy of Reports. All reports required to be filed by the Company since and including the most recent filing of the Company's Annual Report on Form 10-K, to and including, with respect to the First Offering, the First Final Closing Date, and with respect to the Second Offering, as of each Closing Date, have been duly filed with the Securities and Exchange Commission, complied at the time of filing in all material respects with the requirements of their

respective forms and were complete and correct in all material respects as of the dates at which the information was furnished, and contained (as of such dates) no untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(k) Investment Company. The Company is not an "investment company" within the meaning of such term under the Investment Company Act of 1940, as amended, and the rules and regulations of the Securities and Exchange Commission thereunder.

(l) CTS Disclosure. No information set forth in the Term Sheet contains, as of the date hereof or, with respect to the First Offering, on the First Final Closing Date, and with respect to the Second Offering, as of each Closing Date, any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

(m) Reservation of Shares. The Company shall at all times reserve and keep available, out of its authorized and unissued shares of Series B Preferred Stock ("Conversion Securities") and Common Stock, solely for the purpose of effecting the conversion of the Notes and the exercise of the Placement and Advisory Warrants (as defined in Section 5(j) below), and exercise of the Offering Warrants, such number of shares of its Conversion Securities and Common Stock free of preemptive rights as shall be sufficient to effect the conversion of all Notes from time to time outstanding, and the exercise of all Placement, Advisory and Offering Warrants from time to time outstanding. The Company shall use its best efforts from time to time, in accordance with the laws of the State of Delaware to increase the authorized number of shares of Conversion Securities and/or Common Stock if at any time the number of shares of authorized, unissued and unreserved shares of Conversion Securities and/or Common Stock shall not be sufficient to permit the conversion of all the then-outstanding Notes and the

exercise of all the then-outstanding Placement, Advisory and/or Offering Warrants. The Company shall not issue any Conversion Securities other than to effect the conversion of the Notes or accrued interest thereon, Conversion Securities sold in lieu of Notes in the Offering and Conversion Securities issuable upon exercise of Placement and Advisory Warrants or applicable Offering Warrants.

(n) Transfer Taxes. The Company shall pay any and all issue or other taxes (but in no event income taxes) that may be payable in respect of any issue or delivery of shares of Conversion Securities or Common Stock on conversion of the applicable Offering Securities. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue or delivery of Conversion Securities or Common Stock (or other securities or assets) in a name other than that in which the Notes so converted, or the applicable Offering Securities so exercised, were registered, and no such issue or delivery shall be made unless and until the person requesting such issue has paid to the Company the amount of such tax or has established, to the satisfaction of the Company, that such tax has been paid.

(o) Proprietary Rights. Except, with respect to the First Offering, as has been or will be reflected in the CTS #1 prior to the First Final Closing Date or, with respect to the Second Offering, in CTS # 2 with respect to any Closing, or as reflected in an opinion letter provided by patent counsel under Section 4(b)(vi) below in connection with any relevant Closing, the Company owns or possesses adequate and enforceable rights to use all patents, patent applications, trademarks, service marks, trade names, corporate names, copyrights, trade secrets, processes, mask works, licenses, inventions, formulations, technology and know-how and other intangible property used or proposed to be used in the conduct of its business as described in, or contemplated by, the CTS (the "PROPRIETARY RIGHTS"). Except, with respect to the First Offering, as has been or will be reflected in the CTS #1 prior to the First Final Closing Date or, with respect to the Second Offering, in CTS # 2 with respect to any Closing, the Company or the entities from whom the Company has acquired rights has taken all necessary action to protect all of the Company's Proprietary Rights. Except, with respect to the First Offering, as has been or will be reflected in the CTS #1 prior to the First Final Closing Date or, with respect to the Second Offering, in CTS # 2 with respect to any Closing: the Company has not received any notice of, and there are not any facts known to the Company that indicate the existence of (i) any infringement or misappropriation by any third party of any of the Proprietary Rights or (ii) any claim by a third party contesting the validity of any of the Proprietary Rights; the Company has not received any notice of any infringement, misappropriation or violation by the Company or any of its employees of any Proprietary Rights of third parties, and, to the best of the Company's knowledge, neither the Company nor any of its employees has infringed, misappropriated or otherwise violated any Proprietary Rights of any third parties; and, to the best of the Company's knowledge, no infringement, illicit copying, misappropriation or violation of any intellectual property rights of any third party by the Company has occurred or will occur with respect to any products currently being sold by the Company or with respect to any products currently under development by the Company or with respect to the conduct of the Company's business as currently contemplated. Except, with respect to the First Offering, as has been or will be reflected in the CTS #1 prior to the First Final Closing Date or, with respect to the Second Offering, in CTS # 2 with respect to any Closing, the Company is not aware that any of its employees are obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, which would interfere with the use of the employee's best efforts to promote the interests of the Company or that would conflict with the Company's business as currently

conducted or as proposed to be conducted. To the best of the Company's knowledge, as of the Final Closing Date, neither the execution nor delivery of this Agreement, nor the carrying on of the Company's business by the employees of the Company, nor the conduct of the Company's business, as currently conducted or as proposed to be conducted, will conflict with, or result in, a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any such employee is now obligated. In addition, as of the Final Closing Date, all employees are required to assign intellectual property rights to the Company.

3.Representations, Warranties and Covenants of the Placement Agent. The Placement Agent represents, warrants and covenants as follows:

(a)The Placement Agent is duly organized and validly existing and in good standing as a corporation under the laws of the country of Isle of Man with full and adequate power and authority to enter into and perform this Agreement.

(b)In offering the Units, the Placement Agent shall deliver (or direct the Company to deliver) to each prospective purchaser, prior to the Company's acceptance of any subscription from such prospective purchaser, the appropriate Offering Documents. The Placement Agent will not engage in a general solicitation or employ general advertising in connection with the Offering.

(c)The Placement Agent shall conduct the Offering and ensure that its designees and any Selected Dealers designated by the Placement Agent conduct the Offering in compliance with applicable United States securities laws, so as to preserve the exemption provided under Regulation S under the Act and any applicable rules or regulations promulgated thereunder, and the securities laws of any other relevant jurisdictions. The Placement Agent agrees that all offers and sales of Units or any securities constituting or underlying such Units made by it pursuant to the Offering Documents prior to the expiration of the one year distribution compliance period set forth in Rule 903(c)(3)(iii) of Regulation S under the Act shall be made only in accordance with either (i) the provisions of Rule 903 or 904 of Regulation S under the Act, (ii) pursuant to registration of the such securities under the Act, or (iii) pursuant to an available exemption from the registration requirements of the Act. The Placement Agent further agrees (and agrees that it will require any "distributor" as defined in Rule 903 of Regulation S under the Act to so agree in writing) (i) not to engage in hedging transactions with regard to the Units or any securities constituting or underlying the Units prior to the expiration of the distribution compliance period specified in Rule 903(b)(2) or (b)(3), as applicable, unless in compliance with the Act, and (ii) with respect to sales of securities to distributors, dealers (as defined in section 2(a)(12) of the Act), or a person receiving a selling concession, fee or other remuneration, prior to the expiration of the one-year distribution compliance period, to send a confirmation or other notice to the purchaser stating that the purchaser is subject to the same restrictions on offers and sales that apply to the Placement Agent. The final acceptance of any subscription shall be made only after the Company has reviewed the Unit Purchase Agreement and agreed to such final acceptance and determination as to the status of such subscriber which such acceptance and determination shall remain solely the responsibility of the Company.

4.Closing; Placement and Fees.

(a)Closing. The Placement Agent may conduct, in its sole discretion, closings (the date of each a "CLOSING DATE") at the offices of the Placement Agent, 28 Avenue de Messine, 75008 Paris, France, until the Final Closing Date. On each Closing Date, payment for the Units issued and sold by the Company shall be made to the Company in immediately available funds against delivery of certificates evidencing the applicable Offering Securities comprising such Units.

(b)Conditions to Placement Agent's Obligations. The obligations of the Placement Agent hereunder are subject to the accuracy of the representations and warranties of the Company herein contained as of the date hereof and as of each Closing Date occurring on and after April 1, 1998, to the performance by the Company of its obligations hereunder and to the following additional conditions:

(i)Due Qualification or Exemption. The Offering contemplated by this Agreement shall become qualified or be exempt from qualification under the securities laws of the applicable jurisdictions not later than the Closing Date, subject to any filings to be made thereafter;

(ii)No Material Misstatements. Neither the Offering Documents, nor the CTS, nor any supplement thereto, will contain an untrue statement of a fact which in the opinion of the Placement Agent is material, or omit to state a fact, which in the opinion of the Placement Agent is material and is required to be stated therein, or is, in the opinion of the Placement Agent, necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(iii)Compliance with Agreements. The Company shall have complied with all agreements and satisfied all conditions on its part to be performed or satisfied hereunder and under the Offering Documents at or prior to such Closing;

(iv)Corporate Action. The Company shall have taken all corporate action necessary to permit the valid execution, delivery and performance of the Offering Documents by the Company, including, without limitation, obtaining the approval of both the Company's Board of Directors and the members of the Company's Board of Directors unaffiliated with the Placement Agent for the execution and delivery of the Offering Documents and the performance by the Company of its obligations hereunder and the offering contemplated hereby;

(v)Opinion of Counsel to the Company. The Placement Agent shall receive the opinion of counsel to the Company (stating that each of the Purchasers acquiring shares at such Closing Date may rely thereon as though addressed directly to such Purchaser), dated as of the applicable Closing Date, in form and substance satisfactory to the Placement Agent and its counsel.

(vi)Opinion of Patent Counsel. The Placement Agent shall receive (unless waived

in writing by the Placement Agent) the opinion of patent counsel to the Company (which counsel shall be satisfactory to the Placement Agent), dated the Closing Date in the form and substance satisfactory to counsel for the Placement Agent.

(vii)Officer's Certificate. The Placement Agent shall receive

(unless waived by the Placement Agent) an Officer's Certificate and a Secretary's Certificate in form and substance satisfactory to the Placement Agent and its counsel, signed by the appropriate parties and, with respect to the First Offering, dated as of the First Final Closing Date, and with respect to the Second Offering, dated as of each relevant Closing. These certificates shall state, among other things, that the representations and warranties contained in Section 2 hereof are true and accurate in all respects at such applicable Closing Date with the same effect as though expressly made at such Closing Date.

(viii)Escrow Agreement. The Placement Agent shall receive a copy of a duly executed Escrow Agreement with MeesPiersen (Cayman) Limited.

(c)Placement Fees and Expenses.

(i)Simultaneously with payment for and delivery of the Units at each Closing by Purchasers, as provided in paragraph 4(a) above, the Company shall at such Closing pay to the Placement Agent a commission (the "CASH COMMISSION") equal to nine percent (9%) of the aggregate purchase price of the Units sold to Purchasers at such Closing and (ii) the Expense Allowance (as defined in Section 5(b)). The Company shall also pay all expenses in connection with the qualification of the Units under the securities laws of foreign jurisdictions which the Placement Agent shall designate. If, with respect to the First Offering, the Alternative Offering (as defined in CTS #1) does not occur, upon each Closing of the sale of the Units being offered to Purchasers, the Company will sell to the Placement Agent and/or its designees, for $.001 per warrant, additional warrants to acquire a number of newly issued Units equal to ten percent (10%) of the number of Units issued to Purchasers in the Offering, exercisable for a period of seven (7) years commencing six (6) months after the Final Closing Date at an exercise price equal to one hundred ten percent (110%) of the initial offering price of the Units ("ORIGINAL PLACEMENT WARRANTS"). However, with respect to the First Offering, if the Alternative Offering does occur, and with respect to the Second Offering, in all cases, then upon each Closing of the sale of the Units being offered to Purchasers, the Company will sell to the Placement Agent and/or its designees (in lieu of the Original Placement Warrants with respect to the First Offering), for $.001 per warrant, warrants to acquire a number of newly issued Common Stock equal to ten percent (10%) of the aggregate number of shares of Common Stock (excluding Common Stock underlying the Offering Warrants) included, with respect to the First Offering, in the Alternative Equity Units (as described in the Supplement) placed by the Placement Agent (including shares of Common Stock issued in exchange for Units which included Notes), and with respect to the Second Offering, in the Units, in each case exercisable for a period of five (5) years commencing, with respect to the First Offering, on the Alternative Equity Financing Closing Date, and with respect to the Second Offering, on the Final Closing Date, in each case at an exercise price equal to one hundred twenty percent (120%) of the relevant Common Stock Offering Price (such warrants, together, as applicable, with the Original Placement Warrants, the "PLACEMENT WARRANTS"). The previous sentence or anything else in this Agreement notwithstanding, in no event shall the Placement Agent be permitted to receive compensation in excess of the level which was approved by the holders of the 9% Notes pursuant to the Consent referred to under the heading "Offering Summary - Terms of the Securities - Terms of the Offering Notes - Subordination Agreements" in CTS #1. The Company shall register the Common Stock underlying the Placement Warrants for resale under the Act in a Registration Statement as defined in the Unit Purchase Agreements. The Company agrees with the Placement Agent and its successors and assigns that the securities underlying the Placement Warrants will not be subject to redemption by the Company nor will they be callable or mandatorily convertible by the Company. The Placement Warrants will contain a cashless exercise feature, a

provision for payment of the exercise price by promissory note and antidilution provisions (which shall not be more favorable to the Placement Agent than those applicable to the Notes, the Series B Preferred and the Offering Warrants). Notwithstanding the foregoing, the Company may cause the

Placement Warrants to be exercised if the Closing Bid Price of the Common Stock (as defined in the Certificate of Designations for the Series A Preferred) shall have exceeded thirty dollars ($30.00) for at least twenty (20) trading days in any thirty (30) consecutive trading day period ending three (3) days prior to the date of notice of exercise. The Placement Warrants cannot be transferred, sold, assigned or hypothecated for six (6) months except that they may be assigned in whole or in part during such period to any NASD member participating in the Offering or any officer, employee, associate or affiliate of the Placement Agent or any such NASD member.

(ii)The Cash Commission, Expense Allowance, and Placement Warrants and Advisory Warrants, as applicable (as defined in subsection 5(j) and as set forth in this Agreement) shall be paid to the Placement Agent with respect to any investment by any investors introduced to the Company by the Placement Agent ("COVERED INVESTORS") in the event that any such Covered Investor purchases securities from the Company during the twelve (12) months following the Final Closing Date of the Offering.

(d)No Adverse Changes. There shall not have occurred, at any time prior to the Closing (i) any domestic or international event, act or occurrence which has disrupted, or in the Placement Agent's determination will in the immediate future disrupt, the securities markets of the United States; (ii) a general suspension of, or a general limitation on prices for, trading in securities on the New York Stock Exchange, the American Stock Exchange, the NASDAQ National Market, the NASDAQ SmallCap Market, or in the over-the-counter market; (iii) any outbreak of major hostilities or other national or international calamity; (iv) any banking moratorium declared by a state or federal authority; (v) any moratorium declared in foreign exchange trading by major international banks or other persons; (vi) any material interruption in the mail service or other means of communication within the United States; (vii) any material adverse change in the business, properties, assets, results of operations, financial condition or prospects of the Company; or (viii) any change in the market for securities in general or in political, financial, or economic conditions which, in the Placement Agent's reasonable judgment, makes it inadvisable to proceed with the offering, sale, and delivery of the Units.

5.Covenants of the Company.

(a)Use of Proceeds. Subject to Section 5(q) below, the net proceeds of the Offering will be used by the Company substantially as set forth in the CTS.

(b)Expenses of Offering. The Company shall be responsible for, and shall bear all expenses directly and necessarily incurred in connection with, the Offering, including but not limited to the costs of preparing, printing and delivering the CTS and all exhibits thereto to the Placement Agent; the costs of preparing, printing and filing with the Securities and Exchange Commission the Registration Statement and amendments, post-effective amendments and supplements thereto; preparing, printing and delivering exhibits thereto and copies of the preliminary, final and supplemental prospectus; preparing, printing and delivering all selling

documents, including but not limited to this Agreement, the CTS, Unit Purchase Agreements, and stock certificates; and fees and disbursements of the transfer agent (collectively, the "COMPANY EXPENSES"). The Company shall pay to the Placement Agent a non-accountable expense allowance equal to four percent (4%) of the total proceeds of the Offering (the "EXPENSE ALLOWANCE") to cover the cost of Placement Agent's mailing, telephone, telegraph, travel, due diligence meetings and other similar expenses including legal fees and costs of the Placement Agent's counsel. Such pre-paid expense allowance shall be non-refundable. In addition to the foregoing, the Company shall pay for all due diligence expenses ("DUE DILIGENCE EXPENSES") resulting from due diligence conducted by the Placement Agent or its agents or employees regarding the Company, including, without limitation, any Due Diligence Expenses that are Company Expenses (which shall not be covered by the non-accountable Expense Allowance) and/or consultants retained by the Placement Agent to conduct due diligence. If the proposed Offering is not completed because of a breach by the Company of any covenants, representations or warranties contained herein, the Company shall pay to the Placement Agent, as the case may be, a fee of five hundred thousand dollars ($500,000) (in addition to the Company Expenses and Due Diligence Expenses for which the Company shall in all events remain liable).

(c) Regulation S Compliance. The Company will comply in all respects with the terms and conditions of Regulation S with respect to the sale of the Units and exercise of any rights with respect to the securities constituting or underlying such Units, pursuant to the Offering Documents, including the requirements under Rule 903(b)(iii)(B)(4) under Regulation S to refuse to recognize securities transfers under certain circumstances.

(d) Notification. The Company shall notify the Placement Agent immediately, and in writing, (A) when any event shall have occurred during the period commencing on the date hereof and ending on the Final Closing Date as a result of which the Offering Documents would include any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made and (B) of the receipt of any notification with respect to the modification, rescission, withdrawal or suspension of the qualification or registration of the Units, or of any exemption from such registration or qualification, in any jurisdiction. The Company will use its best efforts to prevent the issuance of any such modification, rescission, withdrawal or suspension and, if any such modification, rescission, withdrawal or suspension is issued and the Placement Agent so requests, to obtain the lifting thereof as promptly as possible.

(e) Registration Statement Filing. The Company will file the Registration Statement as required under Section 12 of the Unit Purchase Agreement

(f) Press Releases, Etc. Except as otherwise required by applicable law or the rules of a regulatory body, the Company shall not, during the period commencing on the date hereof and ending thirty (30) days after the Final Closing Date, issue any press release or other communication, make any written or oral statement to any media organization or publication or

hold any press conference, presentation or seminar, or engage in any other publicity with respect to the Company, its financial condition, results of operations, business, properties, assets, or liabilities, or the Offering,

without the prior consent of the Placement Agent, which consent shall not be unreasonably withheld. Upon the request of the Placement Agent, the Company shall make a Rule 135(c) (under the Act) announcement with respect to the commencement of the Offering.

(g) Public Documents. Following the Final Closing Date of the Offering, the Company will furnish to the Placement Agent: (i) as soon as practicable (but in the case of the annual report of the Company to its stockholders, within one hundred twenty (120) days after the end of each fiscal year of the Company) one copy of: (A) its annual report to its stockholders (which annual report shall contain financial statements audited in accordance with generally accepted accounting principles in the United States of America by a firm of certified public accountants of recognized standing), (B) if not included in substance in its annual report to stockholders, its annual report on Form 10-K, (C) each of its quarterly reports to its stockholders, if any, and if not included in substance in its quarterly reports to stockholders, its quarterly report on Form 10-Q, (D) each of its current reports on Form 8-K, and (E) a copy of the full Registration Statement, (the foregoing, in each case, excluding exhibits); and (ii) upon reasonable request, all exhibits excluded by the parenthetical to the immediately preceding clause 5(h)(i)(E) and any other information that is generally available to the public. In addition, the Company upon reasonable request will meet with the Placement Agent or its representatives to discuss all information relevant for disclosure in any Registration Statement covering shares purchased by Purchasers from the Company and offered by them for resale and will cooperate in any reasonable investigation undertaken by the Placement Agent for the purpose of confirming the accuracy of the Registration Statement, including the production of information at the Company's offices.

(h) Restrictions on Securities. During the thirty-six (36) month period following the Final Closing Date, the Company will not extend the expiration date or decrease the exercise price of any options, warrants, convertible securities or other similar security purchase rights without the prior written consent of the Placement Agent.

(i) Listing. Following any listing of the Company's securities on any national market exchange, the Company will use its best efforts to promptly file an application for listing of additional shares with the applicable exchange and/or to take any other necessary action to enable the Unit-Underlying-Common Stock (as defined in the Unit Purchase Agreement) to trade on such market.

(j) Financial Advisory Agreement. Prior to the Final Closing Date, the Company and the Placement Agent will enter into an advisory agreement (the "FINANCIAL ADVISORY AGREEMENT"). In no event shall the Placement Agent be permitted to receive compensation in excess of the level which was approved by the holders of the 9% Notes pursuant to the Consent referred to under the heading "Offering Summary - Terms of the Securities - Terms of the Offering Notes -

Subordination Agreements" in CTS #1. In addition, if the Alternative Equity Financing does take place, upon the execution of the Financial Advisory Agreement, the Company will sell to the Placement Agent and/or its designees, for $.001 per warrant, warrants (the "ADVISORY WARRANTS", and together with the Placement Warrants, the "PLACEMENT AND ADVISORY WARRANTS") to acquire such number of shares of Common Stock equal to fifteen percent (15%) of the number of shares of Common Stock included in Units (excluding Common Stock underlying the Offering Warrants) received by Purchasers who exchange Units comprised of Notes for Units consisting of Common Stock and Alternative Equity Warrants, exercisable for a period of five (5) years commencing on the Alternative Equity Financing Date at an exercise price equal to $2.40.

(k) Consulting/Restructuring Fee. The Placement Agent shall be entitled to receive a consulting/restructuring fee of $960,000 payable in the Common Stock of the Company and valued at the market price and payable in three (3) equal installments when aggregate net proceeds of $25,000,000, $30,000,000 and $35,000,000 are received by the Company under private placements by the Company completed in 1998 to the extent contemplated by the Consent dated January 12, 1998 given by certain 9% Noteholders of the Company (including the First Offering) and/or pursuant to the Second Offering. The parties hereto acknowledge and agree that as of the commencement of the Second Offering the gross proceeds from such private placements aggregate approximately $19.3 million. Such fee shall be contingent upon the Company's receipt of an opinion as to the fairness to the Company of such payment from a financial point of view issued by an investment banking firm, appraisal firm or accounting firm, in each case of national standing. The Company, at its sole expense, shall use commercially reasonable efforts to secure such opinion as promptly as possible following the execution of this Agreement and shall coordinate and cooperate with and will furnish such information as is reasonably requested to such investment banking firm, appraisal firm or accounting firm in connection with such fairness opinion.

(l) Company Insiders. Officers, directors or principal stockholders of the Company may invest in the Offering. Any such investments will be included in calculating whether the 20 Units have been sold in the Minimum Offering, whether the 400 or 150 (as applicable) Units have been sold in the Maximum Offering, and whether the applicable Units have been sold pursuant to the Placement Agent's Option.

(m) Placement Agent Insiders. Certain affiliates of the Placement Agent may purchase Units in the Offering. Affiliates of the Placement Agent will purchase Units net of cash commissions and the Expense Allowance. Accordingly, the Placement Agent will not receive a commission, nor the Expense Allowance, on the Units purchased by its affiliates, and the Company will receive net proceeds equivalent to the net proceeds received from the purchase of Units by persons not affiliated with the Placement Agent. Any such investments by affiliates of the Placement Agent will be included in calculating whether the 20 Units have been sold in the Minimum Offering, whether the 400 Units have been sold in the Maximum Offering (or 150 Units contemplated for the Second Offering), and whether the applicable Units have been sold pursuant to the Placement Agent's Option.

(n) Subscription Checks. All subscription checks and funds shall be promptly and directly delivered without offset or deduction to the bank account at the Escrow Agent described in the Escrow Agreement.

(o) No Statements. Except as otherwise required by law, the Company shall not use the name of the Placement Agent or any officer, director, employee or shareholder thereof without the express written consent of the Placement Agent.

(p) Company Advisors. The Company covenants and represents that it shall immediately notify its independent accountants and patent, regulatory and outside corporate counsel of the pendency of the Offering and that comfort letters and legal opinions will be required prior to any closing. The Company agrees and represents that it will provide (i) preliminary drafts of the CTS to such firms for their review and comment and (ii) final drafts of the CTS to such firms immediately upon its completion.

(q) Placement Agent Approval Rights. The Company, without the prior written consent of the Placement Agent, shall not use any of the proceeds of the

Offering (A) to repay any indebtedness of the Company, including but not limited to any indebtedness to officers, employees, directors or principal stockholders of the Company, except for indebtedness existing as of November 5, 1997 as set forth on a schedule developed by the Company and agreed to by the Placement Agent and except for equipment lease lines secured solely by the underlying equipment and except for payments required to be made to Silicon Valley Bank under the Loan and Security Agreement dated as of December 31, 1996 between the Company and Silicon Valley Bank, and as subsequently amended (the "LOAN AGREEMENT"), or (B) to redeem, repurchase or otherwise acquire any equity security of the Company. The Company shall not, without the prior written consent of the Placement Agent: (x) incorporate, acquire, dissolve or dispose of any subsidiary company; (y) enter into or execute any transactions with affiliates of the Company; or (z) issue any debt securities of the Company except for equipment lease lines secured solely by the underlying equipment.

6.Indemnification.

(a)The Company agrees to indemnify and hold harmless the Placement Agent and each Selected Dealer, if any, and their respective partners, affiliates, shareholders, directors, officers, agents, advisors, representatives, employees, counsel and controlling persons within the meaning of the Act (a "PILLAR INDEMNIFIED PARTY") against any and all losses, liabilities, claims, damages and expenses whatsoever (and all actions in respect thereof), and to reimburse such Pillar Indemnified Party for legal fees and related expenses as incurred (including, but not limited to the costs of giving testimony or furnishing documents in response to a subpoena or otherwise, the costs of investigating, preparing, pursuing or defending any such action or claim whether or not pending or threatened and whether or not the Placement Agent or any Pillar Indemnified Party is a party thereto), insofar as such losses, liabilities, claims, damages or expenses arise out of, relate to, are incurred in connection with, or are in any way a result of, (i) the engagement of the Placement Agent pursuant to this Agreement and in connection with the transactions contemplated by this Agreement and the other Offering Documents (the "ENGAGEMENT"), including any modifications or future additions to such Engagement and related activities prior to the date hereof, (ii) any act by the Placement Agent or any Pillar Indemnified Party taken in connection with the Engagement, (iii) a breach of any representation, warranty, covenant, or agreement of the Company contained in this Agreement, (iv) the employment by the Company of any device, scheme or artifice to defraud, or the engaging by the Company in any act, practice or course of business which operates or would operate as a fraud or deceit, or any conspiracy with respect thereto, in connection with the sale of the Units, or (v) any untrue statement or alleged untrue statement of a material fact contained in the Offering Documents or the omission or alleged omission therefrom of a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the Company will not be liable in any such case if and to the extent that any such loss, claim, damage, liability or expense arises out of or is based upon (A) an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by any such Pillar Indemnified Party in writing specifically for use in the Offering Documents or (B) the gross negligence or willful misconduct of such Pillar Indemnified Party, but only to the extent that it is determined in a final judgment by a court of competent jurisdiction that such loss, liability, claim, damage and expense resulted directly from the gross negligence or willful misconduct of such Pillar Indemnified Party.

(b)The Company agrees to indemnify and hold harmless a Pillar

Indemnified Party to the same extent as the foregoing indemnity, and subject to the limitations set forth therein, against any and all loss, liability, claim, damage and expense whatsoever directly arising out of the exercise by any person of any right under the Act or the Exchange Act or the securities or Blue Sky laws of any state or similar laws of jurisdictions outside of the United States, as applicable, on account of violations of the representations, warranties or agreements set forth in Section 2 hereof.

(c) The Placement Agent agrees to indemnify and hold harmless the Company, the Company's directors, officers, employees, counsel, advisors, representatives and agents and controlling persons within the meaning of the Act (a "COMPANY INDEMNIFIED PARTY") and each and all of them, to the same extent as set forth in Section 6(a) of the foregoing indemnity from the Company to the Placement Agent, but only (a) with reference to information, relating to the Placement Agent, furnished in writing to the Company by the Placement Agent specifically for inclusion in the Offering Documents or (b) to the extent that any losses, claims, damages, and liabilities in respect of which indemnification is claimed are finally judicially determined to have resulted primarily and directly from the bad faith or gross negligence of the Placement Agent.

(d) The Placement Agent agrees to indemnify and hold harmless a Company Indemnified Party to the same extent as the foregoing indemnity, and subject to the limitations set forth therein, against any and all loss, liability, claim, damage and expense whatsoever directly arising out of the exercise by any person of any right under the Act or the Exchange Act or the securities or Blue Sky laws of any state or similar laws of jurisdictions outside of the United States, as applicable, on account of material violations of the representations, warranties or agreements set forth in Section 3 hereof.

(e) Promptly after receipt by a person entitled to indemnification pursuant to subsection (a), (b), (c) or (d) (an "INDEMNIFIED PARTY") of this Section of notice of the commencement of any action, the indemnified party will, if a claim in respect thereof is to be made against a person granting indemnification (an "INDEMNIFYING PARTY") under this Section, notify in writing the Indemnifying Party of the commencement thereof; but the omission so to notify the Indemnifying Party will not relieve it from any liability which it may have to the Indemnified Party otherwise than under this Section. In case any such action is brought against an Indemnified Party, and it notifies the Indemnifying Party of the commencement thereof, the Indemnifying Party will be entitled to participate in, and, to the extent that it may wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, subject to the provisions herein stated, with counsel reasonably satisfactory to the Indemnified Party, and after notice from the Indemnifying Party to the Indemnified Party of its election so to assume the defense thereof, the Indemnifying Party will not be liable to the Indemnified Party for any legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof other than reasonable costs of investigation incurred at the request of the Indemnifying Party. The Indemnified Party shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the Indemnifying Party if the Indemnifying Party has assumed the defense of the action with counsel reasonably satisfactory to the Indemnified Party; provided that the fees and expenses of such counsel shall be at the expense of the Indemnifying Party if (i) the employment of such counsel has been specifically authorized in writing by the Indemnifying Party or (ii) the named parties to any such action (including any impleaded parties) include both the Indemnified Party or Parties and the Indemnifying Party and, in the opinion of counsel of the Indemnified Party, a conflict of interest exists between such parties in which case the Indemnifying Party shall

not have the right to assume the defense of such action on behalf of the Indemnified Party or Parties, it being understood, however, that the Indemnifying Party shall not, in connection with any one such action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Party or Parties. No settlement, compromise, consent to entry of judgment or other termination of any action (collectively, "TERMINATIONS") in respect of which an Indemnified Party may seek indemnification hereunder (whether or not such Indemnified Party is a party thereto) shall be made without the prior written consent of such Indemnified Party, which such consent may be withheld at the sole discretion of such Indemnified Party, provided, however, that the foregoing requirement of prior written consent for Terminations shall not apply to the Placement Agent's authority to agree to such Terminations without the prior written consent of any Pillar Indemnified Party, which authority shall remain unrestricted.

(f) Notwithstanding any of the provisions of this Agreement, the aggregate indemnification or contribution of the Placement Agent for or on account of any losses, claims, damages, liabilities or actions under this Section 6, Section 7 or any other applicable section of this Agreement, shall not exceed the compensation received by it pursuant to Section 4 hereof. The respective indemnity and contribution agreements by the Company and the Placement Agent contained in subsections (a), (b), (c), (d) and (e) of this Section 6 and Section 7, and the covenants, representations and warranties of the Company and the Placement Agent set forth in Sections 1, 2, 3, 4 and 5 shall remain operative and in full force and effect regardless of (i) any investigation made by the Placement Agent, on the Placement Agent's behalf or by or on behalf of any person who controls the Placement Agent, the Company or any controlling person of the Company or any director or officer of the Company, (ii) acceptance of any of the Units and payment therefor or (iii) any termination of this Agreement, and shall survive the delivery of the Units, and any successor of the Placement Agent or of the Company or of any person who controls the Placement Agent or the Company, as the case may be, shall be entitled to the benefit of such respective indemnity and contribution agreements. The respective indemnity and contribution agreements by the Company and the Placement Agent contained in subsections (a), (b), (c) and (d) of this Section 6 and Section 7 shall be in addition to any liability which the Company and the Placement Agent may otherwise have.

7. Contribution.

(a) To provide for just and equitable contribution, if (i) an indemnified party makes a claim for indemnification pursuant to Section 6 but it is found in a final judicial determination, by a court of competent jurisdiction, not subject to further appeal, that such indemnification may not be enforced in such case, even though this Agreement expressly provides for indemnification in such case, or (ii) any indemnified or indemnifying party seeks contribution under the Act, the Exchange Act, or otherwise, then the Company (including for this

purpose any contribution made by or on behalf of any officer, director, employee or agent for the Company, or any controlling person of the Company), on the one hand, and the Placement Agent and any Selected Dealers (including for this purpose any contribution by or on behalf of an indemnified party), on the other hand, shall contribute to the losses, liabilities, claims, damages, and expenses whatsoever to which any of them may be subject, in such proportions as are appropriate to reflect the relative benefits received by the Company, on the one hand, and the Placement Agent and the Selected Dealers, on the other hand; provided, however, that if applicable law does not permit such allocation, then other relevant equitable considerations such as the relative fault of the Company and the Placement Agent and the Selected Dealers in connection with the facts which resulted in such losses, liabilities, claims, damages, and expenses shall also be considered. In no case shall the Placement Agent or a Selected Dealer be responsible for a portion of the contribution obligation in excess of the compensation received by it pursuant to Section 4 hereof or the Selected Dealer agreement, as the case may be. No person guilty of a fraudulent misrepresentation shall be entitled to contribution from any person who is not guilty of such fraudulent misrepresentation. For purposes of this Section 7, each person, if any, who controls the Placement Agent or a Selected Dealer within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, stockholder, employee and agent of the Placement Agent or a Selected Dealer, shall have the same rights to contribution as the Placement Agent or the Selected Dealer, and each person, if any who controls the Company within the meaning of Section 15 of the Act or Section 20(a) of the Exchange Act and each officer, director, employee and agent of the Company, shall have the same rights to contribution as the Company, subject in each case to the provisions of this Section 7. Anything in this Section 7 to the contrary notwithstanding, no party shall be liable for contribution with respect to the settlement of any claim or action effected without its written consent. This Section 7 is intended to supersede any right to contribution under the Act, the Exchange Act, or otherwise.

8.Miscellaneous.

(a)Survival. Any termination of the Offering without any Closing shall be without obligation on the part of any party except that the provisions regarding fees and expenses contained in Section 5(b), the indemnification provided in Section 6 hereof and the contribution provided in Section 7 hereof shall survive any termination and shall survive any Closing.

(b)Representations, Warranties and Covenants to Survive Delivery. Except as provided

in Section 8(a), the respective representations, warranties, indemnities, agreements, covenants and other statements of the Company and the Placement Agent as of the date hereof shall survive execution of this Agreement and delivery of the Units and the termination of this Agreement.

(c)No Other Beneficiaries. This Agreement is intended for the sole and exclusive benefit of the parties hereto and their respective successors and controlling persons, and no other person, firm or corporation shall have any third-party beneficiary or other rights hereunder.

(d)Governing Law. This Agreement shall be governed by and construed in accordance with the law of the State of New York without regard to conflict of law provisions.

(e)Counterparts. This Agreement may be signed in counterparts with the same effect as if both parties had signed one and the same instrument.

(f)Notices. Any communications specifically required hereunder to be in writing, if sent to the Placement Agent, will be mailed, delivered and confirmed to it at 28 Avenue de Messine, 75008 Paris France, Attn: Youssef El Zein, with a copy to Sachnoff & Weaver, Ltd., Suite 2900, 30 South Wacker Drive, Chicago, Illinois, 60606, Attn: Lance Rodgers, Esq. and if sent to the Company, will be mailed, delivered or telegraphed and confirmed to it at Hybridon, Inc., 155 Fortune Boulevard, Milford, Massachusetts 01757, Attn: Chief Executive Officer, with a copy to Kramer, Levin, Naftalis & Frankel, 919 Third Avenue, New York, New York 10022, Attn: Monica C. Lord, Esq.

(g) Termination. Subject to the general survival provisions contained in Sections 8(a) and 8(b) and, in the event of a termination by the Company, provided that the Company pays the five hundred thousand ($500,000) termination fee and expenses set forth in Section 5(b), this Agreement may be terminated by either party prior to the end of the Offering Period upon written notice to the other party.

(h) Entire Agreement. This Agreement constitutes the entire agreement of the parties with respect to the matters herein referred and supersedes all prior agreements and understandings, written and oral, between the parties with respect to the subject matter hereof. Neither this Agreement nor any term hereof may be changed, waived or terminated orally, but only by an instrument in writing signed by the party against which enforcement of the change, waiver or termination is sought.

(i) Nothing contained herein or otherwise shall create a partnership or joint venture between the Placement Agent and the Company.

(j) The headings and captions of the various subdivisions of this Agreement are for convenience or reference only and shall in no way modify or affect the meaning or construction of any of the terms or provisions hereof.

If you find the foregoing is in accordance with our understanding, kindly sign and return to us a counterpart hereof, whereupon this instrument along with all counterparts will become a binding agreement between us.

Very truly yours,

HYBRIDON, INC.

By: _____
Name: _____
Title: _____

Agreed to by:

PILLAR INVESTMENTS LTD.

By: _____
Name: _____
Title: _____