AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 14, 2001

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2001, or

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

For transition period from __________.

Commission File Number 0-27352

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

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

345 Vassar Street
Cambridge, Massachusetts 02139
(Address of principal executive offices)

(617) 679-5500
(Registrant's telephone number, including area code)

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

Yes [X] No [ ]

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

Common Stock, par value $.001 per share	44,882,418
Class	Outstanding as of November 7, 2001

HYBRIDON, INC.

FORM 10-Q

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HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

ASSETS

	SEPTEMBER 30, 2001	DECEMBER 31, 2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 8,442,284	$ 1,532,155
Restricted cash	1,000,000	--
Marketable securities	15,038,277	2,000,000
Receivables	194,416	337,403
Prepaid expenses and other current assets	--	71,616
Total current assets	24,674,977	3,941,174
PROPERTY AND EQUIPMENT, AT COST:		
Leasehold improvements	170,287	150,342
Laboratory equipment and other	2,762,343	5,236,299
	2,932,630	5,386,641
Less -- Accumulated depreciation and amortization	2,793,780	5,295,963
	138,850	90,678
OTHER ASSETS:		
Marketable Securities	1,045,060	--
Deferred financing costs and other assets	18,274	969,631
Restricted cash	--	5,000,000
	1,063,334	5,969,631
	$ 25,877,161	$ 10,001,483
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Current portion of long-term debt	$ --	$ 6,000,000
Accounts payable	623,367	1,084,330
Accrued expenses	1,211,601	1,094,735
Forward contracts	971,482	--
Deferred revenue	1,861,362	--
Total current liabilities	4,667,812	8,179,065
9% CONVERTIBLE SUBORDINATED NOTES PAYABLE	1,306,000	1,306,000
8% CONVERTIBLE NOTES PAYABLE	387,730	8,046,420
DEFERRED REVENUE	18,525,619	--
STOCKHOLDERS' EQUITY (DEFICIT):		
Preferred stock, $0.01 par value -- Authorized -- 5,000,000 shares		
Series A convertible preferred stock -- Designated -- 1,500,000 shares Issued and outstanding -- 620,013 and 626,170 shares at September 30, 2001 and December 31, 2000, respectively		
(liquidation preference of $64,016,660 at September 30, 2001)	6,200	6,262
Common stock, $0.001 par value-- Authorized-- 100,000,000 shares Issued and outstanding-- 44,875,294 and 18,382,237 shares at September 2001 and December 31, 2000, respectively	44,875	18,382

Additional paid-in capital	270,773,010	252,645,636
Accumulated deficit	(269,736,128)	(260,193,046)
Deferred compensation	(97,957)	(7,236)
Total stockholders' equity (deficit)	990,000	(7,530,002)
	$ 25,877,161	$ 10,001,483

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

HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
REVENUES:				
License revenue	$ 146,888	$ --	$ 401,750	$ --
Royalty and other income	7,198	43,892	64,726	146,529
Interest income	189,549	15,637	429,392	66,012
Total revenues	343,635	59,529	895,868	212,541
OPERATING EXPENSES:				
Research and development	1,080,186	761,227	3,440,251	2,793,949
General and administrative	1,522,973	562,013	4,522,947	2,339,897
Stock based compensation(1)	(576,583)	--	347,197	--
Interest	514,451	951,673	1,101,603	1,856,677
Total operating expenses	2,541,027	2,274,913	9,411,998	6,990,523
Unrealized loss on trading securities (Note 9 and Note 4)	(1,171,482)	--	(1,171,482)	--
Other income (Note 8)	--	--	6,890,261	--
Loss from continuing operations	(3,368,874)	(2,215,384)	(2,797,351)	(6,777,982)
Income from discontinued operations (Note 7)	1,967,830	5,868,100	1,967,830	5,292,154
(LOSS) INCOME BEFORE EXTRAORDINARY ITEM	(1,401,044)	3,652,716	(829,521)	(1,485,828)
EXTRAORDINARY ITEM:				
Loss on early retirement of 8% convertible notes payable	--	--	(1,411,876)	--
NET (LOSS) INCOME	(1,401,044)	3,652,716	(2,241,397)	(1,485,828)
ACCRETION OF PREFERRED STOCK DIVIDENDS	(5,112,651)	(1,020,687)	(7,301,684)	(3,112,174)
NET (LOSS) INCOME APPLICABLE TO COMMON STOCKHOLDERS (NOTE 12)	$(6,513,695)	$ 2,632,029	$(9,543,081)	$(4,598,002)
NET INCOME (LOSS) PER SHARE APPLICABLE TO COMMON STOCKHOLDERS (NOTE 12):				
Basic	$ (0.11)	$ 0.15	$ (0.22)	$ (0.27)
Diluted	$ (0.11)	$ 0.15	$ (0.22)	$ (0.27)
SHARES USED IN COMPUTING INCOME (LOSS) PER COMMON SHARE:				
Basic	59,444,375	17,922,949	42,533,798	17,130,454
Diluted	59,444,375	17,922,949	42,533,798	17,130,454
(1) The following summarizes the allocation of stock based compensation:				
Research and development	$ (318,643)	$ --	$ 290,534	$ --
General and administrative	(257,940)	--	56,663	--
Total stock-based compensation	$ (576,583)	$ --	$ 347,197	$ --

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

HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(2,241,397)	$(1,485,828)
Income from discontinued operations	1,967,830	5,292,154
Loss from continuing operations, including extraordinary item	(4,209,227)	(6,777,982)
Adjustments to reconcile net loss to net cash used in operating activities--		
Extraordinary loss on exchange of 8% convertible subordinated notes payable	1,411,876	--
Issuance of common stock for services rendered	26,000	--
Depreciation and amortization	31,212	104,576
Gain on sale of property and equipment	(45,650)	--
Stock based compensation	347,197	--
Amortization of deferred compensation	10,647	334,493
Amortization of deferred financing costs	429,402	343,441
Interest expenses related to the issuance of common stock warrants	--	731,196
Non-cash interest expense	497,228	151,077
Changes in operating assets and liabilities -		
Accounts receivable	(889,183)	--
Prepaid expenses and other current assets	71,616	56,923
Accounts payable and accrued expenses	(227,825)	(694,049)
Forward contracts	971,482	--
Deferred revenue	14,667,360	--
Net cash provided by (used) in continuing operating activities	13,092,135	(5,750,325)
Net cash provided by discontinued operations	3,000,000	154,419
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(7,794,049)	--
Increase in other assets	--	(101,401)
Proceeds from sale of discontinued operations	--	11,550,000
Increase in restricted cash	--	(5,000,000)
Purchases of property and equipment	(71,525)	--
Proceeds from sale of property and equipment	45,650	--
Net cash used in investing activities	(7,819,924)	6,448,599
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	--	114,705
Net proceeds from exercise of common stock options and warrants	209,518	--
Sale of common stock	428,400	--
Proceeds from issuance of convertible promissory notes payable	--	1,486,090
Net borrowings under line of credit	--	231,167
Payments on long-term debt	(6,000,000)	--
Decrease in restricted cash	4,000,000	--
Net cash provided by financing activities	(1,362,082)	1,831,962
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,910,129	2,684,655
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,532,155	2,551,671
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 8,442,284	$ 5,236,326
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 360,525	$ 592,898
Supplemental disclosure of non cash financing and investing activities:		
Exchange of 8% Convertible Notes Payable for Series B preferred stock and common stock (Note 6)	$ 7,944,801	$ --
Accretion of Series A and Series B preferred stock dividends	$ 3,201,684	$ 3,112,174
Dividend from induced conversion of Series B preferred stock (Note 10)	$ 4,100,000	$ --
Issuance of common stock in lieu of bonus	$ 88,577	$ --
Conversion of Series A preferred stock into common stock	$ 613	$ 1,675
Conversion of Series B preferred stock into common stock	$ 19,565	$ --
Issuance of stock options to non-employees	$ 20,148	$ --
Issuance of warrants in connection with consulting services (Note 10(b))	$ 569,667	$ --

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

HYBRIDON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

(1) ORGANIZATION

Hybridon, Inc. (the Company) was incorporated in the State of Delaware on May 25, 1989. The Company is involved in the discovery and development of novel therapeutics using synthetic DNA. The Company has established four technology platforms: immunomodulatory oligonucleotides (IMOs(TM)), potentiation of cancer therapies, antisense, and proprietary tools for functional genomics and diagnostics called Cyclicons(TM).

Since inception, the Company has been primarily engaged 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 the antisense and immune stimulation technology. In order to commercialize its own products, the Company will need to address a number of technological challenges and comply with comprehensive regulatory requirements. Accordingly, it is not possible to predict the amount of funds that will be required or the length of time that will pass before the Company receives revenues from sales of any of these products. All revenues received by the Company to date have been derived from collaboration and licensing agreements, interest on investment funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by the Company's Hybridon Specialty Products business prior to the disposal thereof (see Note 7).

(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 period 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, 2000, as filed with the Securities and Exchange Commission.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Net Income (Loss) per Common Share

Net income (loss) per common share, computed in accordance with SFAS No. 128, Earnings per Share is based upon the weighted average number of outstanding common shares and the dilutive effect of common share equivalents, such as options and warrants to purchase common stock, convertible preferred stock and convertible debt, if applicable, that are outstanding each period (see Note 12).

Comprehensive Loss

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

Segment Reporting

The Company applies SFAS No. 131, Disclosures About Segments of an Enterprise and Related Information. SFAS No. 131 establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information for those segments to be presented in interim financial reports issued to stockholders. SFAS No. 131 also establishes standards for related disclosures about products and services and geographic areas. To date, the Company has viewed its

operations and manages its business as principally one operating segment. As a result, the financial information disclosed herein represents all of the material financial information related to the Company's principal operating segment. All of the Company's revenues are generated in the United States and all assets are located in the United States.

Reclassifications

Certain amounts in the prior-period consolidated financial statements have been reclassified to conform to the current period's presentation.

(4) CASH EQUIVALENTS AND MARKETABLE SECURITIES

The Company considers all highly liquid investments with maturities of 90 days or less when purchased to be cash equivalents. Cash and cash equivalents at September 30, 2001 and December 31, 2000 consist of the following (at amortized cost, which approximates fair market value):

	SEPTEMBER 30 2001*	DECEMBER 31 2000**
Cash and cash equivalents -		
Cash and money market funds..................................	$2,936,365	$ 238,327
Securities	5,505,919	1,293,828
Total cash and cash equivalents	$8,442,284	$1,532,155

Short-term marketable securities have maturities of greater than three months and consist of primarily corporate bonds. Also included in short-term marketable securities are 357,143 shares of stock received in connection with the license agreement discussed in Note 9. Marketable securities with maturities of greater than one year have been classified as long-term. The Company had long-term investments of $1,045,060 with an average maturity period of approximately 13 months as of September 30, 2001. There were no long-term investments as of December 31, 2000.

The Company accounts for investments in accordance with Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities. In accordance with SFAS No. 115, investments that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost, which approximates fair market value. All of the Company's investments as of December 31, 2000 are classified as held-to-maturity. As of September 30, 2001, all of the Company's investments are classified as held-to-maturity except for the shares discussed above received in connection with the license agreement discussed in Note 9. In accordance with SFAS No. 115 the Company has classified these shares as trading securities as the Company's intent is to sell the securities in the short-term. Trading securities are reported at fair value with changes to the fair value being reported in earnings. Upon execution of the forward contracts discussed in Note 9, the gains or losses on the trading securities are offset completely by the gains or losses on the forward contracts. Prior to the execution of the forward contracts the Company recorded approximately $902,000 of unrealized loss related to these trading securities. As of September 30, 2001, the fair value of these trading securities is approximately $6,089,000.

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* Does not include restricted cash of $1,000,000 at September 30, 2001 (see Note 9).

** Does not include restricted cash of $5,000,000 at December 31, 2000 (see Note 6).

(5) $3.0 MILLION NOTE

During November 1998, the Company entered into a $6.0 million note payable with Forum Capital Markets, LLC, which is now Founders Financial Group, L.P. (Founders), and certain investors associated with Pecks Management Partners Ltd. (Pecks). The terms of the note payable were as follows: (i) the maturity was November 30, 2003; (ii) the interest rate is 8%; (iii)

interest was

payable monthly in arrears, with the principal due in full at maturity of the note; (iv) the note payable was convertible, at Pecks' and Founders' option, in whole or in part, into shares of common stock at a conversion price equal to $2.40 per share, a premium to fair value at date of issuance, and (v) the note required minimum liquidity, as defined, of $2.0 million. The Company has classified the outstanding balance of $6.0 million at December 31, 2000 as a current liability in the accompanying consolidated balance sheets as it did not have the financing to remain in compliance with the financial covenants at that time.

On March 28, 2001, the Company entered into an agreement with the holders of its $6.0 million notes whereby it would pay, out of the proceeds of the sale of its MethylGene shares discussed in Note 8, up to $3.0 million to the holders in partial satisfaction of the notes. In addition, it agreed that it would deposit the sum of $821,250 in a money market fund for the purpose of securing payment of the balance remaining on notes held by a particular lender group. This arrangement was made to encourage the holders of these notes to release their security interest in the shares of MethylGene, Inc. The notes held by these entities were paid down by $3.0 million, which was distributed proportionately.

In addition, the Company agreed to reduce the conversion price of the note from $2.40 to $1.50 upon completion of the sale of 60% of the Company's holdings in MethylGene. The Company also agreed to further reduce the conversion price from $1.50 to $.50 if the balance of the note was not paid in full by the Company by September 30, 2001. Pursuant to Emerging Issues Task Force Issue No. 98-5 (EITF 98-5) Accounting for Convertible Securities with Beneficial Conversion Features or Contingently Adjustable Conversion Ratios and EITF 00-27, Application of Issue No. 98-5 to Certain Convertible Instruments, since the Company had both the intent and ability to pay the remaining notes prior to September 30, 2001, the Company will measure and recognize any potential beneficial conversion at such time that the Company surrenders its unilateral right to avoid the reduction in the conversion price to $.50.

On September 27, 2001, the Company paid off the remaining $3.0 million to the holders in full satisfaction of the notes. The sum of $821,250 previously deposited to secure the notes held by clients of Pecks Management Partners has been released.

(6) 8.0% CONVERTIBLE NOTES PAYABLE

In March 2000, the Company completed an offering of the 8% Convertible Notes Payable (8% Notes). As of December 31, 2000, the Company had received approximately $7.6 million in principal with respect to the 8% Notes. Under the terms of the 8% Notes, the Company must make semiannual interest payments on the outstanding principal balance through the maturity date of November 30, 2002. The 8% Notes are convertible at any time prior to the maturity date at a conversion price equal to $0.60 per share of common stock, fair value at the commitment date, subject to adjustment under certain circumstances, as defined.

In connection with the 8% Notes, the Company must comply with certain covenants, including making all payments of interest when due and maintaining consolidated cash balances of at least $1.5 million as of the last day of any calendar month. At September 30, 2001 the Company is in compliance with the covenant regarding consolidated cash balances. If an event of default occurs, as defined, the noteholders may declare the unpaid principal and interest due and payable immediately. If the Company defaults with respect to payment of interest, the Company will be required to pay interest at a default rate equal to 12%. On July 10, 2000, the holders of the 8% Notes entered into an amendment to the Subordination and Intercreditor Agreement. In the Subordination and Intercreditor Agreement, as amended, all parties agreed to release their lien on the portion of the collateral that includes assets that were conveyed in the HSP sale (see Note 7). In return for this partial release, the Company undertook in the Subordination and Intercreditor Agreement, as amended, that upon consummation of the HSP sale it would set aside from the proceeds thereof the sum of $5.0 million with which it will purchase a money market instrument and pledge the same as collateral to secure its obligation to the holders of the 8% Notes. The amount of the pledge will be reduced as

the Company's obligations are converted to equity or repaid. The lenders that are party to the Subordination and Intercreditor Agreement, as amended, will continue to have a lien on substantially all of the Company's assets remaining after the HSP sale.

On March 5, 2001, the Company made an offer to the holders of its 8% Notes to exchange their notes for one share of a newly-designated class of Series B Convertible Preferred Stock (par value $.01 per share) (Series B Preferred Stock) for each $100 in principal amount of notes tendered. On March 30, 2001, holders of $7.6 million of the Company's 8% Notes exchanged their notes for one share of Series B Preferred Stock for each $100 in principal amount of notes tendered (76,046 shares in aggregate). Shares of the Series B Preferred Stock have a face value of $100 per share and are senior in right of payment with respect to liquidation, distributions and dividends to the Company's Series A Convertible Preferred Stock and common stock. Such shares will accrue dividends at the rate of 8% per annum which are payable in kind or in cash at the Company's option. Shares of Series B Preferred Stock are convertible into shares of common stock at an initial rate of one share of Series B Preferred Stock for 200 shares of common stock.

In accordance with SFAS No. 15, Accounting by Debtors and Creditors for Troubled Debt Restructurings, the Company recorded an extraordinary loss of $1.4 million related to the early extinguishment of the 8% Notes. The extraordinary loss represents the difference between the carrying value of the 8% Notes, and the fair value of the Series B Preferred Stock, as determined by the fair market value of the common stock into which the Series B Preferred Stock is convertible.

As a result of the exchange, the 8% Noteholders released their claim on $5.0 million of the proceeds from the HSP Sale (Note 7), which was held as collateral prior to the exchange.

During July 2001, $340,242 of the 8% Notes plus accrued interest were converted into 850,500 shares of common stock and all of the 78,259 Series B Preferred shares then outstanding were converted into approximately 19,564,500 shares of common stock. These conversions were based on a reduced conversion price of $0.40 per share which was offered to the holders of the Series B Preferred Stock and 8% Notes as part of the Company's early exercise program discussed in Note 10. In accordance with SFAS No. 84, Induced Conversions of Convertible Debt (an Amendment of APB Opinion No. 26), the Company recorded a charge to interest expense of approximately $267,000. The charge was equal to the fair value of the common stock received less the fair value of common stock that would have been received pursuant to the original conversion terms.

As of September 30, 2001, $387,730 of 8% Notes remained outstanding representing those noteholders who did not participate in the exchange offer described above.

(7) SALE OF HYBRIDON SPECIALTY PRODUCTS

On September 21, 2000, the Company completed the sale of its Hybridon Specialty Products business, which manufactures, markets and sells oligonucleotides, to a subsidiary of Avecia, Inc. of Manchester, United Kingdom, Avecia Biotechnology, for up to $15.0 million. The Company received approximately $12.0 million of the $15.0 million from the sale of HSP to Avecia. The remaining $3.0 million was payable on September 21, 2001, subject to offset rights under the agreement to purchase HSP. As part of this transaction, the Company entered into a supply agreement whereby it may have an obligation to purchase products from Avecia Biotechnology. To the extent that Avecia Biotechnology's third-party sales of HSP product exceeded certain goals, the Company did not have any such purchase commitment. If Avecia Biotechnology's third party sales did not meet such goals, the Company was required to make purchases sufficient to cover the shortfall, subject to an agreed upon formula. The Company's commitment is on a "take-or-pay" basis for the fourth quarter of 2000 and each quarter of 2001. Purchases by OriGenix Technologies, Inc. and MethylGene are applied against the Company's commitment. Any unpaid amounts under this agreement would reduce the $3.0 million contingent payment to be received in September 2001. The balance of the term of this agreement (through March 31, 2003) does not require minimum purchases.

On September 20, 2001, the Company received the $3.0 million contingent payment in full from Avecia Biotechnology.

To the extent that the Company made payments for a purchasing shortfall where it had no use for the related products, the Company recorded such amount as an offset against the gain in September 2001 upon receipt of the additional $3.0 million payment. On June 30, 2001 and December 31, 2000, the Company had accrued approximately $1,032,000 and $337,000, respectively, for its purchasing shortfall. These amounts have been paid in full to Avecia and were included in the Company's receivables. Upon receipt of the $3.0 million payment, the Company applied approximately $1,032,000 toward the satisfaction of this receivable in full and recognized the remaining $1,968,000 as a gain from the sale of discontinued operations.

(8) SALE OF METHYLGENE, INC. SHARES

On April 27, 2001, the Company closed the sale of 60% of its holdings of shares of Class A and Class B stock of MethylGene, Inc., to a group of private United States institutional investors. MethylGene is a Canadian pharmaceutical research company in which the Company had a 22% ownership interest. On May 14, 2001, the Company closed the sale of the remaining 40% of its holdings with three of MethylGene's other shareholders on terms similar to those agreed to by the institutional investors ($2.85 Canadian or approximately $1.84 US per share as of April 27, 2001). The Company received total proceeds of approximately $7.2 million (US). During the second quarter of 2001, the Company recorded a gain for this transaction of approximately $6.9 million, which includes approximately $300,000 in expenses primarily related to professional fees. This gain is included in other income on the accompanying consolidated statement of operations.

(9) COLLABORATION AND LICENSE AGREEMENT WITH ISIS PHARMACEUTICALS, INC.

On May 24, 2001, the Company and Isis Pharmaceuticals entered into a Collaboration and License Agreement (the "Agreement") and related documents. Under the Agreement, the Company granted Isis an exclusive license to use and sublicense all of the Company's antisense chemistry and delivery patents and technology. The Company has retained the right to practice its licensed antisense patent technologies and, subject to certain constraints, to sublicense these technologies to its collaborators. In exchange for the license granted by the Company, Isis has paid the Company $15.0 million in cash and will issue to the Company shares of Isis common stock in four installments over the next two years.

Isis has granted the Company a non-exclusive license to use Isis' suite of Rnase H patents that cover the mechanism of action of many antisense drugs. In return for the non-exclusive license from Isis, the Company will issue to Isis, shares of the Company's stock over three years.

The number of shares of Isis stock issuable to the Company is based on certain market conditions, as defined in the agreement, and would have a fair market value of $19.5 million, if the stock remains in a certain price range as defined in the Agreement. If the stock is trading above or below these ranges, the fair value of the stock could be materially different. In addition, the number of shares of Hybridon stock issuable to Isis is based on certain market conditions, as defined in the agreement, and would have a fair market value of $6.0 million, if the stock remains in a certain price range as defined in the Agreement. If the stock is trading above or below these ranges the fair value of the stock could be materially different.

The Company will recognize revenue related to the Isis transaction ratably over the life of the license agreement, which is approximately 11 years. "Deferred revenue - license agreements" relates to the unrecognized portion of the $15.0 million payment received in May 2001 and the fair value of the Isis stock received in September 2001 discussed below. Expenses related to the Agreement of approximately $1.0 million consist of professional fees and the fair value of warrants issued to a consultant (see Note 10(b)). These expenses were net against the proceeds received and will be recognized over the life of the license agreement. In addition, the Company will amortize as a reduction to revenue, over the life of the Agreement, the estimated fair value of the Company's stock that will be paid to Isis as discussed above.

During the three and nine month periods ended September 30, 2001, the

Company recognized approximately $135,988 and $342,788 respectively of revenues related to this agreement which are included in license revenues on the accompanying consolidated statement of operations.

Under the terms of EITF 96-18, Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling Goods or Services and EITF 00-8 Accounting by a Grantee for an Equity Instrument to Be Received in Conjunction with Providing Goods or Services, the shares of common stock to be received from Isis as described above will be measured at the time of receipt. As of September 30, 2001, 357,143 shares of common stock have been issued by Isis, representing the first tranche, and no shares have been issued to Isis by the Company related to this transaction. The Company recorded the fair value of the common stock on the date the shares became receivable to the company of approximately $6,289,000 as deferred revenue and will recognize this amount as revenue over the remaining life of the Agreement.

Following the receipt of these shares, on September 10, 2001 the Company entered into a number of hedging contracts to protect against certain market risks which could reduce the value of the Isis shares while the Company is awaiting registration of the shares. In accordance with SFAS No. 133, Accounting for Hedging Instruments and Hedging Activities, these hedging contracts are derivative instruments and must be marked to fair market value with the corresponding charges recognized in earnings. The Company accrued an unrealized loss of approximately $971,000 related to this agreement, which is included on the accompanying consolidated balance sheet. Approximately $702,000 of this unrealized loss is offset by a corresponding $702,000 gain which arose from marking to market the stock as discussed in Note 4. This $702,000 gain is included in marketable securities shown on the consolidated balance sheet. The remaining $269,000 loss is due to the fee incurred upon execution of the forward contracts which is included in the consolidated statement of operations. In connection with this transaction, the Company placed $1.0 million in an escrow account to serve as collateral until the shares become tradable. This amount is included as short-term marketable securities as the forward contracts mature in approximately four months.

Subsequent to September 30, 2001, 500,000 shares of common stock have been issued to the Company by Isis, representing the second and third tranches. As of November 7, 2001, the Company had sold all 500,000 shares for net proceeds totaling approximately $10,537,000. As a consequence of the above transactions, as of November 8, 2001, Hybridon had received a total of 857,143 Isis shares from which it expects to receive net proceeds in excess of $15.6 million.

(10) EQUITY

(a) Repricing

In September 1999, the Company's Board of Directors authorized the repricing of options to purchase 5,251,827 shares of common stock to $0.50 per share, which represented the market value on the date of the repricing. These options are subject to variable plan accounting, as defined in FASB issued Interpretation No. 44 (FIN 44), Accounting for Certain Transactions Involving Stock Compensation - an Interpretation of APB No. 25. FIN 44 became effective on July 1, 2000. The Company is following the provisions of FIN 44 and will remeasure the intrinsic value of the repriced options, through the earlier of the date of exercise, cancellation or expiration, at each reporting date. For the three and nine months ended September 30, 2001, the Company has recognized approximately ($589,816) and $333,964 respectively in compensation (gain)/expense related to the repriced options. This amount is included in stock based compensation on the accompanying consolidated statement of operations.

(b) Warrants

During March 2001, the Company issued warrants to purchase 500,000 shares of common stock to an individual who has been providing consulting services to the Company related to the Isis Agreement discussed in Note 9. The warrants have an exercise price of $.50, expire five years from the date of grant and vested 100% upon the closing of the Agreement. In accordance with EITF 96-18, Accounting

for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services, the Company calculated the fair value of the warrants of $569,667 using the Black-Scholes option pricing model.

(c) Amendment to Stock Plan

On June 28, 2001, the stockholders of the Company approved an amendment to the 1997 Stock Incentive Plan (the 1997 Plan), which was adopted by the Compensation Committee on March 28, 2001. Pursuant to this amendment the Company increased the number of options that the Company may issue under the 1997 Plan from 8,500,000 shares to 13,500,000 shares. The maximum number of shares with respect to which options may be granted to any employee under the 1997 Plan was also increased from 500,000 shares of common stock during any calendar year to a limit determined by dividing 1,500,000 by the fair market value of a share of the Company's common stock at the time of grant, and not to exceed an overall per participant annual limit of 5,000,000 shares.

(d) Conversion of Warrants and Preferred Stock into Common Stock

On July 5, 2001, the Company began an "early exercise" program to exchange its Series B Convertible Preferred Stock and several classes of its warrants for shares of the Company's common stock, in order to simplify the Company's capital structure and to reduce the number of outstanding securities which are exercisable for or convertible into shares of its common stock. The Company offered the holders of its Series B Shares the right to convert such shares into common stock at a lower conversion price than that set forth in the Certificate of Designation governing the terms of their Series B Shares. The Company offered the holders of various warrants the opportunity to immediately exercise their warrants for the purchase of shares covered by such warrants at a reduced exercise price, either by paying the lower exercise price for such shares in cash or by engaging in a "cashless" transaction, whereby they could convert their warrants into a specified number of shares of common stock, which would reflect a reduced exercise price and effect payment of the exercise price of the warrants through the acceptance of a reduced number of shares of common stock. As of October 31, 2001, the results of the program were as follows:

- All holders of the Company's Series B Preferred Stock have exchanged their securities for 19,564,500 shares of the Company's common stock;

- Holders of warrants priced between $0.60 and $2.40 have exchanged their warrants for approximately 4,669,808 shares of the Company's common stock; and

- $340,242 in 8% notes were exchanged for 850,500 shares of common stock.

In accordance with SFAS No. 84, Induced Conversions of Convertible Debt (an Amendment of APB Opinion No. 26), the Company recorded a charge to retained earnings of approximately $4,100,000. The charge was equal to the fair value of the common stock received less the fair value of common stock that would have been received pursuant to the original conversion terms of the Series B Preferred Stock. This charge was recorded as accretion of preferred stock dividends on the accompanying statement of operations and as a component of the net loss available to common stockholders.

In accordance with SFAS No. 123, Accounting for Stock Based Compensation, the Company would apply modification accounting related to reduction in exercise prices related to the exchange of warrants. The Company did not record any charges related to this exchange as the fair value the warrants immediately prior to the exchange was equal to the fair value of the common stock given to the holders as settlement of the warrants.

(e) Executive Agreement

On September 1, 2001, the Company appointed Stephen R Seiler as its Chief Executive Officer. Mr. Seiler's employment agreement provides for the purchase of 510,000 shares of the Company's stock at a fair market value of $428,400. The agreement also provided for the grant of (1) 3,150,000 stock options that are exercisable at a fair market value of $0.84 per share, and vest over a five year period, and (2) 490,000 stock options that are exercisable at $0.71 per share, and vest over a one year period. The Company recorded deferred compensation of approximately $60,000 related to a stock option grant to Mr. Seiler made at below fair market value. The Company will amortize this amount as compensation expense over the vesting period of the grant.

(11) NEW ACCOUNTING PRONOUNCEMENTS

In August 2001, the FASB issued SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supercedes FASB Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of," and the accounting and reporting provisions of APB Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions." Under this statement it is required that one accounting model be used for long-lived assets to be disposed of by sale, whether previously held and used or newly acquired, and it broadens the presentation of discontinued operations to include more disposal transactions. The provisions of this statement are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within those fiscal years, with early adoption permitted. The Company is currently evaluating the ultimate impact of this statement on its results of operations or financial position until such time as its provisions are applied.

(12) INCOME (LOSS) PER SHARE

The following table sets forth the computation of basic and diluted income (loss) per share:

	THREE MONTHS ENDED SEPTEMBER 30, 2001		NINE MONTHS ENDED SEPTEMBER 30, 2001	
	2001	2000	2001	2000
Numerator:				
Loss from continuing operations before extraordinary item	$(3,368,874)	$(2,215,384)	$ (2,797,351)	$(6,777,982)
Accretion on Series A and B Preferred Stock	(5,112,651)	(1,020,687)	(7,301,684)	(3,112,174)
Numerator for basic loss from continuing operations per share - before extraordinary item applicable to common shareholders	(8,481,525)	(3,236,071)	(10,099,035)	(9,890,156)
Income from discontinued operation	1,967,830	5,868,100	1,967,830	5,292,154
Extraordinary loss	--	--	(1,411,876)	--
Numerator for basic and diluted (loss) income applicable to common shareholders	$(6,513,695)	$ 2,632,029	$ (9,543,081)	$(4,598,002)
Denominator for basic and diluted (loss) income per share	59,444,375	17,922,949	42,533,798	17,130,454
(Loss) Income per share - basic and diluted				
Continuing operations	$ (0.14)	$ (0.18)	$ (0.24)	$ (0.58)
Discontinued operations	0.03	0.33	0.05	0.31
(Loss) Income before extraordinary item	(0.11)	0.15	(0.19)	(0.27)
Extraordinary loss	--	--	(0.03)	--
Net income (loss) per share	$ (0.11)	$ 0.15	$ (0.22)	$ (0.27)

For the three and nine month periods ended September 30, 2000 and 2001, diluted net loss per share from continuing operations is the same as basic net loss per common share as the effects of the Company's potential common stock equivalents are antidilutive. Antidilutive securities totaling 36,111,489 for the three and nine month periods ended September 30, 2001 and 49,787,247 for the three and nine month periods ended September 30, 2000 which consist of stock options, warrants, convertible preferred stock and convertible debt instruments (on an as-converted basis) are not included in the Company's calculation of diluted net loss per common share.

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

GENERAL

Hybridon, established in 1989, is a leading company involved in the discovery and development of novel therapeutics using synthetic DNA. Hybridon has established four technology platforms: immunomodulatory oligonucleotides (IMOs(TM)), potentiation of cancer therapies, antisense, and proprietary tools for functional genomics and diagnostics called Cyclicons(TM).

Hybridon has made a substantial number of synthetic DNA compounds (IMOs(TM)) that have been shown in tests with cells in the laboratory or in animals to produce responses in the immune system. When used alone or in combination with antibodies or vaccines, these synthetic DNA molecules are thought to have the potential to treat some cancers, allergies, inflammation, asthma and infectious diseases. A number of these compounds that are potent in stimulating the immune system have unique chemical modifications not found in natural DNA.

Hybridon holds a leading position in the development of synthetic DNA chemistry that is used to make drug candidates designed specifically to inhibit or to reduce production of proteins that cause a given disease. Synthetic DNA molecules with these properties are called "antisense" agents. Hybridon's synthetic DNA compounds, used in combination with certain marketed cancer therapies, have been shown to enhance the potency of the antitumor activity of these cancer therapies. Hybridon has also identified advanced antisense drug candidates targeted to a number of novel gene products linked to cancer. Most recently, Hybridon has developed several novel, DNA-based tools with broad application in the area of functional genomics and diagnostics.

Hybridon's antisense drug candidates are all second-generation, advanced chemistry agents designed to have superior stability (providing the potential for administration by the oral route), enhanced potency, and an improved side effects profile. The initial product focus is in the therapeutic areas of oncology and viral diseases.

Hybridon has two advanced chemistry antisense drug candidates in clinical development. GEM(R)231 is an antisense inhibitor of the RI(Undefinable Symbol) component of Protein Kinase A, a growth-regulating protein that is increased in the cells of many human cancers. GEM(R)231 is in Phase I/II dose-escalation trials in combination with Taxol(R) and Taxotere(R) and a trial in combination with Camptosar(R) is planned to start late in 2001. GEM(R)92 is an antisense agent designed to inhibit the human immunodeficiency virus (HIV-1). The initial single dose Phase I study of GEM(R)92 orally and by injection showed excellent safety results and successfully confirmed oral delivery of advanced chemistry antisense agents.

Hybridon began operations in February 1990 and since that time has been involved primarily in research and development efforts, developing its manufacturing capabilities (discontinued in September 2000), and raising capital. In order to commercialize its therapeutic products, Hybridon will need to address a number of technological challenges and comply with comprehensive regulatory requirements. Revenues received by Hybridon to date have been from collaborative agreements, license agreements, interest on invested funds and revenues from the custom contract manufacturing of synthetic DNA and reagent products by its manufacturing business, Hybridon Specialty Products or "HSP" prior to the disposal thereof in September 2000.

Hybridon has incurred total losses of approximately $270 million through September 30, 2001. Hybridon expects that its research and development and

general and administrative expenses will be significant in 2001 and future years as it pursues its core drug development programs and expects to continue to incur operating losses and significant capital needs.

As of November 7, 2001, Hybridon had 17 full-time employees.

The financial statements of Hybridon have been restated to reflect the financial results of the HSP business as a discontinued operation for the period ended September 30, 2000.

RESULTS OF OPERATIONS

THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2001 AND 2000

Hybridon had total revenues of $0.3 million and $0.1 million for the three months ended September 30, 2001 and 2000, respectively, and had total revenues of $0.9 million and $0.2 million for the nine months ended September 30, 2001 and 2000, respectively. The increase in revenues in 2001 over 2000 is primarily due to the currently recognized portion of deferred revenue

booked as a result of Hybridon's Collaboration and License Agreements entered into with Isis Pharmaceuticals, Inc. and EpiGenesis Pharmaceuticals, Inc. along with an increase in interest income in 2001 resulting from higher cash balances available for investment from the aforementioned agreements.

Hybridon's research and development expenses were $1.1 million and $0.8 million for the three months ended September 30, 2001 and 2000, respectively, and $3.4 million and $2.8 million for the nine months ended September 30, 2001 and 2000, respectively. The increase in research and development expenses reflects increased payroll and laboratory costs during the third quarter of 2001.

Hybridon's general and administrative expenses were $1.5 and $0.6 million for the three months ended September 30, 2001 and 2000, respectively, and $4.5 million and $2.3 million for the nine months ended September 30, 2001 and 2000, respectively. The increase was primarily due to increased payroll and professional expenses associated with licensing transactions and with patent prosecution and filings.

Hybridon incurred a stock-based compensation gain of $0.6 million for the three months ended September 30, 2001 and had a net expense of $0.3 million for the nine months ended September 30, 2001. This is a result of Hybridon's remeasuring the intrinsic value of repriced stock options. See "Financial Statements - Notes to Consolidated Condensed Financial Statements" Note 10 (a).

Hybridon's interest expense was $0.5 million and $1.0 million for the three months ended September 30, 2001 and 2000, respectively, and $1.1 million and $1.9 million for the nine months ended September 30, 2001 and 2000, respectively. This decrease was primarily due to Hybridon's paying down its $6.0 million note to $3.0 million during the second quarter of 2001 with the balance being paid off during the third quarter of 2001 and Hybridon's exchanging the majority of its 8% convertible notes payable for Series B preferred stock, during the first quarter of 2001.

Unrealized loss for the three months ended September 30, 2001 consists of an unrealized loss on the ISIS investment of $0.2 million along with an unrealized loss on forward contracts of $1.0 million recorded during the third quarter of 2001.

Other income for the nine months ended September 30, 2001 consists of a gain recorded from Hybridon's sale of 100% of its holdings of MethylGene stock. MethylGene is a Canadian pharmaceutical research company in which Hybridon had a 22% ownership. Hybridon closed the sale of its holdings of shares of Class A and Class B stock of MethylGene, Inc., to a group consisting of a private institutional investor and several Canadian institutional investors during late April and early May 2001 at similar terms ($2.85 Canadian or approximately $1.84 US per share as of April 27, 2001). Hybridon received total proceeds of approximately $7.2 million (US). During the second quarter of 2001, Hybridon recorded a gain for this transaction of approximately $6.9 million, net of approximately $300,000 in expenses primarily related to professional fees.

Income from discontinued operations for the three months ended September 30, 2001 consists of a gain recorded during the third quarter of 2001 in connection

with the disposition of assets to Avecia in September 2000. In that transaction, Hybridon was obliged to make up any shortfall in purchase orders which Avecia expected to receive in 2000 and 2001. To the extent that Hybridon previously made payments for a purchasing shortfall where it has no use for the related products, Hybridon recorded such amount as an offset against the gain in September 2001 from receipt of a $3.0 million payment from Avecia. On June 30, 2001 Hybridon had accrued approximately $1,032,000 for its purchasing shortfall with Avecia. This amount has been paid in full to Avecia and was included in Hybridon's receivables. Upon receipt of the $3.0 million payment, Hybridon applied approximately $1,032,000 toward the satisfaction of this receivable in full and recognized the remaining $1,968,000 as a gain from the sale of discontinued operations.

As a result of the above factors, Hybridon recorded a loss from continuing operations of $3.4 million and $2.2 million for the three months ended September 30, 2001 and 2000, respectively, and a loss of $2.8 million and $6.8 million for the nine months ended September 30, 2001 and 2000, respectively. Hybridon realized net income from discontinued operations of $2.0 million and $5.9 million for the three months ended September 30, 2001 and 2000, respectively, and net income of $2.0 million and $5.3 million for the nine months ended September 30, 2001 and 2000, respectively.

Hybridon had an extraordinary loss of $1.4 million for the nine months ended September 30, 2001 resulting from the conversion of the 8% Notes to Series B Convertible Preferred Stock during the first quarter of 2001. See "Financial Statements - Notes to Consolidated Condensed Financial Statements" Note 6 for a discussion of Hybridon's extraordinary loss. As a result, Hybridon recorded a net loss after extraordinary item of $2.4 million for the nine months ended September 30, 2001.

Hybridon recorded preferred stock dividends on the Series A and Series B convertible preferred stock of $5.1 million and $1.0 million for the three months ending September 30, 2001 and 2000 respectively, and $7.3 million and $3.1 million for the nine months

ended September 30, 2001 and 2000, respectively, resulting in a net loss applicable to common stockholders of $6.5 million for the three months ended September 30, 2001 and net income applicable to common stockholders of $2.6 million for the three months ended September 30, 2000, and a net loss of $9.5 million and $4.6 million for the nine months ended September 30, 2001 and 2000, respectively. For the three months ended September 30, 2001, a $4.1 million charge to retained earnings was taken related to the early exercise program. The $4.1 million is included in the $5.1 million Accretion of Preferred Stock dividends. The charge was equal to the fair value of the common stock issued less the fair value of common stock that would have been issued pursuant to the original conversion terms of the Series B Preferred Stock. (See Note 10(d))

The net loss from discontinued operations, as presented on the consolidated condensed statement of operations for the three and nine months ended September 30, 2000, includes the operating loss from discontinued operations relating solely to the operating results of the Hybridon Specialty Products business.

LIQUIDITY AND CAPITAL RESOURCES

During the nine months ended September 30, 2001, Hybridon's continuing operating activities provided cash of approximately $13.1 million. Hybridon incurred approximately $0.1 million of capital expenditures in this period. The primary use of cash was to fund Hybridon's operating activities included in its $2.8 million net loss before extraordinary items and discontinued operations.

Hybridon had cash and cash equivalents of $8.4 million and marketable securities of $16.0 million, for a combined total of $24.4 million at September 30, 2001. Additionally, Hybridon had $1.0 million of restricted cash at September 30, 2001. Subsequent to September 30, 2001, 500,000 shares of common stock have been issued to the Company by Isis, representing the second and third tranches of Isis stock. As of November 7, 2001, the Company had sold all 500,000 shares for net proceeds totaling approximately $10.5 million. Hybridon believes, based upon its present projections, that its existing cash resources coupled with cash generated from the receipt of the Isis stock will be sufficient over the next two to three years to cover the operating expenses and capital requirements of pursuing its scientific agenda without the need for additional external funds.

On November 7, 2001, Hybridon's obligations included $1.0 million due on hedging contracts with Bear Stearns, $1.3 million principal amount of 9% Notes, approximately $0.3 million in 8% Convertible Notes and accrued interest as described below, and approximately $0.6 million of accounts payable.

Hybridon's current cash and liabilities position resulted from the following transactions:

Sale of Hybridon Specialty Products Division

Hybridon received approximately $12.0 million of the $15.0 million from the sale of HSP to Avecia. The remaining $3.0 million was payable on September 21, 2001, subject to offset rights under the agreement to purchase HSP. On September 20, 2001, Hybridon received the $3.0 million contingent payment in full from Avecia Biotechnology.

To the extent that Hybridon previously made payments for a purchasing shortfall where it has no use for the related products, Hybridon recorded such amount as an offset against the gain in September 2001 upon receipt of the additional $3.0 million payment. On June 30, 2001 and December 31, 2000, Hybridon had accrued approximately $1,032,000 and $337,000, respectively, for its purchasing shortfall. These amounts have been paid in full to Avecia and were included in Hybridon's receivables. Upon receipt of the $3.0 million payment, Hybridon applied approximately $1,032,000 toward the satisfaction of this receivable in full and recognized the remaining $1,968,000 as a gain from the sale of discontinued operations.

Exchange of Preferred Stock for Debt and Release of Restricted Cash

On March 5, 2001, Hybridon exchanged shares of its newly created Series B Preferred Stock for $7.6 million of its 8% Convertible Notes due 2002. This transaction also had the effect of releasing for Hybridon's use $5.0 million of proceeds from the HSP/Avecia transaction. The pledging of the $5.0 million of proceeds had been a condition of the holders of the 8% Notes and other noteholders releasing their lien on the HSP assets to permit their sale to Avecia in September 2000.

Those holders of 8% Notes who participated in the exchange received approximately 76,000 Series B Preferred shares, each of which had a liquidation preference of $100 and are senior in right of payment with respect to liquidation distributions to Hybridon's outstanding Series A convertible Preferred Stock and common stock. Shares of Series B Preferred accrue dividends at the rate of 8% per annum which are payable in kind or in cash at Hybridon's option. Such shares are convertible into shares of common stock at an

initial rate of one share of Series B Preferred for 200 shares of Common stock. As mentioned below, all outstanding Series B Preferred shares were converted into common shares during July 2001.

On July 17, 2001, $340,242 of the 8% Notes were converted into 850,500 shares of common stock and all of the 78,259 Series B Preferred shares then outstanding were converted into approximately 19,564,500 shares of common stock. These conversions were based on a reduced conversion price of $0.40 per share which was offered to the holders of the Series B Preferred Stock and 8% Notes as part of the Company's early exercise program discussed in Note 10.

As of September 30, 2001, $387,730 of 8% Notes remained outstanding representing those noteholders who did not participate in the exchange offer described above.

Sale of MethylGene Shares

During late April and May 2001, Hybridon sold its holdings of the Class A and Class B common stock of MethylGene, Inc. for a total of approximately $7.2 million. The buyers consisted of a private institutional investor and several Canadian institutional investors. To release the MethylGene shares from liens held by holders of Hybridon's $6.0 million note, Hybridon paid such holders out of the proceeds of the sale the total sum of $3.0 million and agreed to hold an additional sum of $821,250 in a money market fund to secure payment of the balance remaining in favor of certain noteholders. Hybridon carried the $821,250 as restricted cash on its balance sheet.

In addition, Hybridon agreed to reduce the conversion price of the

remaining note from $2.40 to $1.50. Hybridon also agreed to further reduce the conversion price from $1.50 to $.50 if the balance of the note was not paid in full by Hybridon as of September 30, 2001.

On September 27, 2001, Hybridon paid off the remaining $3.0 million to the holders in full satisfaction of the notes. The sum of $821,250 previously deposited to secure the notes held by clients of Pecks Management Partners has been released.

EpiGenesis Transaction

On April 23, 2001, Hybridon and EpiGenesis Pharmaceuticals Inc. commenced a collaborative alliance to develop and market up to five antisense drugs for respiratory diseases. This alliance will concentrate on developing drugs, which will be delivered directly to the respiratory tract. Hybridon received an upfront cash payment and will receive a portion of future royalties and sublicense fees on any future compounds that use Hybridon's proprietary antisense chemistries. Hybridon will recognize revenue related to the EpiGenesis transaction ratably over the life of the license agreement.

Isis Transaction

On May 24, 2001, Hybridon and Isis Pharmaceuticals entered into a Collaboration and License Agreement (the "Agreement") and related documents. Under the Agreement, Hybridon granted Isis an exclusive license to use and sublicense all of Hybridon's antisense chemistry and delivery patents and technology. Hybridon has retained the right to practice its licensed antisense patent technologies and, subject to certain constraints, to sublicense these technologies to its collaborators. In exchange for the exclusive license from the Hybridon, Isis has paid Hybridon $15.0 million in cash and will issue to Hybridon shares of Isis common stock in four installments over the next two years.

Isis has granted Hybridon a non-exclusive license to use Isis' suite of Rnase H patents that cover the mechanism of action of many antisense drugs. In return for the non-exclusive license from Isis, Hybridon will issue to Isis, shares of Hybridon's stock over three years.

The number of shares of Isis stock issuable to Hybridon is based on certain market conditions, as defined in the agreement, and would have a fair market value of $19.5 million. In addition, the number of shares of Hybridon stock issuable to Isis is based on certain market conditions, as defined in the agreement, and would have a fair market value of $6.0 million.

Completion of Early Exercise Program

On July 5, 2001, Hybridon began an "early exercise" program to exchange its Series B Convertible Preferred Stock and several classes of its warrants into shares of Hybridon's common stock, in order to simplify Hybridon's capital structure and to reduce the number of outstanding securities which are exercisable for or convertible into shares of its common stock. Hybridon offered the holders of its Series B Shares the right to convert such shares into common stock at a lower conversion price than that set forth in the Certificate of Designation governing the terms of their Series B Shares. Hybridon offered the holders of various warrants the opportunity to immediately exercise their warrants for the purchase of shares covered by such warrants at a reduced exercise price, either by paying the lower exercise price for such shares in cash or by engaging in a "cashless" transaction, whereby they could convert their warrants into a specified number of shares of common stock based on an exchange ratio, which number of shares would reflect a reduced exercise price and the effective payment of the exercise price of the warrants through the acceptance of a reduced number of shares of common stock. As of October 31, 2001, the following had been affected:

- All holders of Hybridon's Series B Preferred Stock have exchanged their securities for 19,564,500 shares of Hybridon's common stock;

- Holders of warrants priced between $0.60 and $2.40 have exchanged their warrants for approximately 4,669,808 shares of Hybridon's common stock; and

- $340,242 in 8% notes were exchanged for 850,500 shares of common

stock.

HISTORY OF OPERATING LOSSES; UNCERTAINTY OF FUTURE PROFITABILITY

Since inception, Hybridon has incurred significant losses, which it has funded through the issuance of equity securities, debt issuances, product sales by HSP, the sale of HSP during 2000, the sale of its holdings of shares of MethylGene and through research and development collaborations and licensing arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Hybridon's right, under its agreement with Isis Pharmaceuticals, Inc., to receive $5,000,000 of Isis common stock was accelerated to September 10, 2001 when the average for such stock over the preceding 20 trading days exceeded $14 per share. The shares received by Hybridon were not tradable at that time. Given the uncertainties in the securities markets following September 11, 2001, and in order to reduce risks associated with market fluctuations which could impact the value of Hybridon's holdings prior to selling the stock, Hybridon entered into certain hedging arrangements wherein the Company limited its exposure to these market fluctuations. Net of these transactions, Hybridon expects to derive approximately $5.1 million from the sale of the Isis shares. For additional information on this transaction, see Footnote 9 to the Financial Statements.

SAFE HARBOR FOR FORWARD-LOOKING STATEMENTS

The Securities and Exchange Commission encourages the disclosure of forward-looking information so that investors can make informed investment decisions based on a better understanding of a company's future prospects. This Report on Form 10-Q and other written and oral statements that Hybridon makes contain such forward-looking statements that contain expected results based on management's plans and assumptions. Wherever possible, these statements are identified by using words such as "anticipates", "believes", "expects" and "plans" and words and terms of similar substance when referring to future operating or financial results. These forward-looking statements are subject to many risks and uncertainties, which could cause actual results to differ materially from any future results expressed or implied by such forward-looking statements. Some factors that could cause actual results to differ significantly are as follows: (1) continued progress of research and development activities, (2) the time and costs involved in obtaining regulatory approvals to market products, (3) the ability to protect intellectual property, including the cost of filing, prosecuting and enforcing patent claims, (4) competing technological and market developments, (5) ability to obtain sufficient financing, (6) the time and costs of manufacturing scale-up and commercialization activities (7) exposure to product liability and other types of lawsuits, (8) increases in costs and expenses, (9) governmental laws and regulations such as EPA, FDA and IRS requirements, (10) the future effects of patent expirations on Hybridon's competitive position, (11) trends towards health care cost containment and possible legislation affecting pharmaceutical pricing and Medicare reimbursement, (12) ability to establish and maintain research and

development collaborations and marketing relationships, (13) interest rate fluctuations and (14) changes in generally accepted accounting principals. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. Certain risks, uncertainties and assumptions are discussed under the "Risk Factors" and "Forward-Looking Statements" headings on pages 25 through 27 of Hybridon's Annual Report on Form 10-K for the year ended December 31, 2000.

HYBRIDON, INC.

PART II

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

None.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.74 Agreement dated July 25, 2001 between Hybridon and Stephen R. Seiler

(b) Reports on Form 8-K

On July 2, 2001, Hybridon filed a Current Report on Form 8-K, reporting that Hybridon has decided to implement an "early exercise" program intended to encourage warrant holders and holders of Series B convertible preferred stock to exercise their warrants to purchase, or convert their Series B preferred stock into, shares of Hybridon's common stock. The purposes of the program are to simplify Hybridon's capital structure and reduce any downward pressure on its common shares resulting from the large number of Series B Shares and warrants currently outstanding.

As part of the early exercise program, Hybridon proposed that participating holders of Series B preferred stock and warrant holders agree to restrict public resale of the common stock which they receive for a period of seven (7) months from the date such holder accepts Hybridon's offer, provided that one-third of such shares may be sold after five (5) months, an additional one-third (1/3) may be sold after six (6) months and all of the shares after 7 months.

SIGNATURE

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

HYBRIDON, INC.

	/s/ Stephen R. Seiler
Date: November 14, 2001	Stephen R. Seiler Chief Executive Officer
	/s/ Robert G. Andersen
Date: November 14, 2001	Robert G. Andersen Chief Financial Officer and Vice President of Operations and Planning

EXHIBIT 10.74

HYBRIDON, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT ("Agreement") is entered into by and between Stephen R. Seiler ("Executive") and Hybridon, Inc., a Delaware corporation (the "Company"), and is effective as of the 25th day of July, 2001.

WHEREAS, the Company desires to establish its right to the services of the Executive, in the capacity described below, on the terms and conditions hereinafter set forth, and Executive is willing to accept such employment on such terms and conditions;

NOW, THEREFORE, in consideration of the mutual agreements hereinafter set forth, Executive and the Company have agreed and do hereby agree as follows:

1. DEFINITIONS. The capitalized terms in this Agreement shall have the meanings set forth in this Agreement or Appendix A attached hereto.

2. ENGAGEMENT. The Company hereby agrees to employ the Executive as its Chief Executive Officer and the Executive hereby accepts such employment on the terms and conditions hereinafter set forth. Furthermore, Executive shall be appointed to the Board of Directors of the Company ("Board") as of September 1, 2001.

3. EMPLOYMENT PERIOD. The Executive's employment with the Company shall commence on September 1, 2001 and shall continue through September 1, 2006, unless such employment is sooner terminated or subsequently extended as hereinafter provided. The Company and the Executive may agree to extend the period during which this agreement is in effect beyond the initial effective period upon the terms and conditions of this Agreement or upon other terms, but neither the Company nor the Executive is under any obligation to do so. The period during which this Agreement is in effect shall constitute the "Employment Period."

4. DUTIES AND RESPONSIBILITIES.

(a) RESPONSIBILITIES. During the Employment Period, the Executive shall perform his duties and responsibilities fully and faithfully as Chief Executive Officer, subject to the control of the Board and the terms and conditions of this Agreement. During such period, the Executive shall report solely to the Board, with the Executive acknowledging that the President and Chief Scientific Officer also is a member of the Board and is free to discuss all matters with other members of the Board. Executive shall have the duties and responsibilities customarily assigned to the Chief Executive Officer with such other duties not inconsistent therewith as may from time to time be assigned to the Executive by the Board and all employees of the Company shall report to the Chief Executive Officer, subject to the Board's ultimate control. During the Employment Period, the Executive shall perform all services and acts necessary or advisable to fulfill the duties and responsibilities that are commensurate and consistent

with the Executive's position. Executive agrees he shall devote substantially his full business time and attention to, and exert his best efforts in, the performance of his duties hereunder, so as to promote the business and best interests of the Company and to comply with the Company's policies as in effect from time to time.

(b) EXCLUSIVITY. Executive shall devote substantially his full time to his duties hereunder and agrees that, during the Employment Period, the Executive shall not provide consulting services to, or become an employee of, any other firm, company, corporation, or person engaged in a business.

(c) LOCATION. The Executive's principal place of business shall be in Cambridge, Massachusetts, within thirty (30) miles therefrom ("Cambridge Area") or within ten miles east of Worcester, MA, although travel could be part of Executive's responsibilities. Executive shall perform services for the Company in the Cambridge Area and at such other locations where Executive's services might be required to be performed from time to time. Notwithstanding

the preceding sentence, Executive shall not be required to perform services at a location other than the Cambridge Area for a period in excess of thirty (30) consecutive days without the Executive's prior written consent, except in the event of a change in location of the headquarters of the Company to a site within the continental United States following a Change of Control.

5. COMPENSATION. For all services rendered by Executive pursuant to this Agreement, the Company shall pay Executive, and Executive agrees to accept, the salary, stock options, bonuses, and other benefits described below in this Section 5.

(a) BASE SALARY. During the Employment Period, the Company shall pay Executive an annual base salary of $ 360,000.00 ("Base Salary") and such Base Salary shall be payable at periodic intervals in accordance with the Company's payroll practices for salaried employees. In accordance with Section 5(d), below, the amount of Base Salary shall be reviewed and approved, if applicable, by the Board on at least an annual basis, and any increases in the amount of Base Salary shall be effective as of the date determined by the Board. Executive's Base Salary may be increased for any reason, including to reflect inflation or such other adjustments as the Board may deem appropriate; provided, however, that Executive's Base Salary, as in effect on the date hereof or as increased in accordance with the terms of this Agreement, may not be subsequently decreased, except with the prior written consent of the Executive.

(b) STOCK OPTIONS. The Executive shall be granted, effective as of the date of this Agreement, a nonqualified stock option with respect to 3,150,000 shares of common stock of the Company ("Shares") and a nonqualified stock option with respect to 490,000 Shares, each such option subject to an agreement with terms and conditions substantially similar to those described in the Hybridon, Inc. Amended and Restated 1997 Stock Incentive Plan (the "Plan"), excluding Section 4(b) of the Plan and such other provisions of the Plan as are inconsistent with the terms of Exhibit A, attached hereto.

(c) BONUS. In addition to Base Salary and stock options, and to the extent a bonus program is established by the Board, the Executive shall receive, for each

fiscal year of the Company ending with or within the Employment Period, an annual bonus ("Bonus") whether pursuant to a formal bonus or incentive plan or program of the Company or otherwise. Subject to this Section 5(c) and Section 5(d), below, such Bonus shall be based on criteria determined by the Board, in its discretion. Any Bonus earned by the Executive for service or performance rendered in any fiscal year within the Employment Period shall be paid to the Executive in accordance with the applicable plan or program and the Company's policies governing such matters. In the event of Executive's termination of employment because of the Executive's death or Disability during the Employment Period, the Company shall pay to Executive or Executive's estate, as applicable, the pro rata portion of the Bonus that Executive would have earned in respect of the portion of the year preceding Executive's death or commencement of Disability.

(d) ANNUAL COMPENSATION REVIEW. Executive's compensation, consisting of salary, stock option grants, and bonuses, shall be reviewed annually by the Board.

(e) MEDICAL, DENTAL AND OTHER HEALTHCARE BENEFITS. During the Employment Period, Executive shall be eligible to participate in and receive benefits under the Company's medical, dental, or other healthcare plans, as in effect from time to time, that are available to officers or employees of the Company.

(f) RETIREMENT PLAN BENEFITS. Executive shall be entitled to participate in the Company's tax-qualified and nonqualified retirement plans, as in effect from time to time, that are available to officers and employees of the Company and shall be entitled to receive the benefit of contributions to be made, if any, by the Company for the benefit of Executive under the terms of the applicable tax-qualified or nonqualified retirement plan.

(g) INCENTIVE PLANS. During the Employment Period, Executive

shall be eligible to receive all benefits, including those under equity participation or bonus programs, to which key employees are or become eligible under such plans or programs as may be established by the Company from time to time.

(h) RELOCATION BENEFITS. Executive shall be entitled to reimbursement for reasonable and customary moving expenses incurred in connection with relocating to Cambridge, Massachusetts or the surrounding area, provided that to the extent the amount payable under this Section 5(h) is subject to federal, state or local taxation the Company shall pay to the Executive an amount necessary to place the Executive in the same after-tax position as the Executive would have been had no such taxes been imposed. Amounts paid by the Company to the Executive as reimbursement for moving expenses under this Section 5(h) and amounts paid by the Company to, or on behalf of, the Executive as payment or reimbursement for legal fees under Section 14(f) of this Agreement shall not, in the aggregate, exceed $80,000.00.

(i) OTHER BENEFITS. During the Employment Period, Executive shall be entitled to participate in and receive benefits under such other employee benefit plans,

programs, or arrangements as the Company may from time to time establish and that are available to officers or employees of the Company, provided that the Executive shall be entitled to an aggregate of at least four (4) weeks of paid vacation each year.

6. INVESTMENT BY THE EXECUTIVE. As of the date of this Agreement, Executive shall purchase 510,000 Shares at $0.84 per Share.

7. TERMINATION OF EMPLOYMENT. The remedies described in this Section 7 are the exclusive remedies of the parties in connection with the termination of Executive's employment under this Agreement

(a) If the Executive's employment with the Company terminates for any reason, except in connection with a Change of Control as provided for in Section 7(b), below, then the Executive or his beneficiary, as applicable, shall be entitled to receive the following severance benefits:

(i) DEATH. In the event Executive's employment hereunder is terminated by reason of Executive's death, the Company shall pay Executive's designated beneficiary or beneficiaries any Accrued Obligations; provided that such amount shall be paid in a lump sum cash payment within thirty (30) days after the Company's receipt of notification of Executive's death. Additionally, any stock options previously granted to the Executive by the Company and held by the Executive on the date of his death shall vest as of such date to the extent such options would have vested (had Executive's employment not been terminated) during the portion of the Employment Period that ends on the last day of the second calendar quarter of the year following the calendar year in which Executive's death occurred. For this purpose, Executive's Base Salary shall be his Base Salary in effect immediately before his employment terminated and the Employment Period shall be the Employment Period in effect immediately before his termination date.

(ii) DISABILITY. If Executive is unable to perform substantially all of his duties hereunder due to a Disability and the Executive does not return to the full-time performance of the Executive's duties within thirty (30) days after written notice from the Company, the Executive's employment under this Agreement may be terminated by the Company for Disability. If Executive's employment hereunder is terminated due to Disability, the Company shall pay Executive any Accrued Obligations (such payment to be made within thirty (30) days after such termination in the form of a lump sum cash payment). Additionally, any stock options previously granted to the Executive by the Company and held by the Executive on the date of termination of employment under this subparagraph (ii) shall vest as of such date to the extent such options would have vested (had Executive's employment not been terminated) during the portion of the Employment Period that ends on the last day of the second calendar quarter of the year following the calendar year in which Executive's employment was terminated under this Section 7(a)(ii). For this purpose, Executive's Base Salary shall be his Base Salary in effect immediately before

his employment terminated and the Employment Period shall be the Employment Period in effect immediately before his termination date.

(iii) TERMINATION BY THE COMPANY FOR CAUSE. The Company may terminate Executive's employment under this Agreement for Cause at any time. If Executive's employment hereunder is terminated by the Company for Cause, the Company shall pay Executive any Accrued Obligations, provided that such amount shall be paid in a lump sum cash payment within thirty (30) days after such termination date. Executive shall remain subject to the provisions of this Agreement that, by their terms, survive the termination of the Executive's employment with the Company.

(iv) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY, OR CAUSE. The Company may, at its option and with thirty (30) days' written notice, terminate the Executive's employment under this Agreement without Cause at any time. If the Executive's employment is terminated by the Company other than on account of Executive's death, Disability, or for Cause, then, the Company shall pay Executive (A) the lesser of (I) Executive's Base Salary for the twenty-four (24) consecutive calendar months following the termination of Executive's employment (such payments to be made under the Company's payroll practices applicable to salaried executives) and (II) an amount equal to Executive's Base Salary for the period from the time of termination until September 1, 2006, and (B) any Accrued Obligations (such payment to be made within thirty (30) days after Executive's termination date in the form of a lump sum cash payment). Additionally, any stock options previously granted to the Executive by the Company and held by the Executive on the date of termination shall vest as of such date to the extent such options would have vested during the following thirty-six (36) months (or portion thereof) remaining in the Employment Period had Executive's employment not been terminated. For this purpose, Executive's Base Salary shall be his Base Salary in effect immediately before his employment terminated and the Employment Period shall be the Employment Period in effect immediately before his termination date.

(v) TERMINATION BY THE EXECUTIVE FOR GOOD REASON. Executive may, for Good Reason, terminate this Agreement upon thirty (30) days' written notice to the Company. If the Executive's employment is terminated by the Executive for Good Reason, then the Company shall pay the Executive (A) the lesser of (I) Executive's Base Salary for the twenty-four (24) consecutive calendar months following the termination of Executive's employment (such payments to be made under the Company's payroll practices applicable to salaried executives) and (II) an amount equal to Executive's Base Salary for the period from the time of termination until September 1, 2006, and (B) any Accrued Obligations incurred through the date of such termination (such payment to be made within thirty (30) days after such termination in the form of a lump sum cash payment). Additionally, any stock options previously granted to the Executive by the Company and held by the Executive on the date of termination shall vest as of such date to the extent such options would have vested during the following thirty-six (36) months (or portion thereof) remaining in the Employment Period had Executive's employment not been terminated. For this purpose, Executive's Base Salary shall be his Base Salary in effect immediately before his employment terminated and the Employment Period shall be the Employment Period in effect immediately before his termination date.

(vi) NO DUTY TO MITIGATE; NO OFFSET. In the event of the termination of the Executive's employment with the Company (other than events of termination which are the subject of subsections 7(a)(i), 7(a)(ii), 7(a)(iii), 7(b)(ii), 7(b)(iv), 7(b)(v) and 7(b)(vii) to which the doctrine of mitigation by Executive would not apply), Executive shall have no duty to mitigate damages or seek employment, and any compensation derived by the Executive from any subsequent employment or self-employment shall not be offset against or reduce any amounts to which the Executive is entitled under this Agreement.

(vii) CONTINUATION OF COVERAGE. If the Executive's employment with the Company is terminated, Executive (and his dependents, if any) shall be permitted to continue to participate in the Company's benefit plans, programs, or arrangements to the extent the Company is required by law, including Part 6 of Title I of the Employee Retirement Income Security Act of 1974, as amended ("COBRA"), to offer such coverage.

(b) TERMINATION AFTER A CHANGE OF CONTROL. If Executive's employment with the Company is terminated after the effective date of a Change of Control, Executive shall be entitled to receive severance benefits as follows:

(i) PARACHUTE PAYMENTS. If all or any portion of the amounts payable to the Executive under this Agreement or otherwise are subject to the excise tax imposed by Section 4999 of the Internal Revenue Code of 1986, as amended ("Code") or a similar state tax or assessment, the Company shall pay to the Executive an amount necessary to place the Executive in the same after-tax position as Executive would have been had no such excise tax or assessment been imposed. The amount payable pursuant to the preceding sentence shall be increased to the extent necessary to pay income and excise taxes on such amount. The determination of any amounts payable under this Section 7(b)(i) shall be made by an independent accounting firm employed by the Company and such determination shall be final, binding and conclusion on the parties hereto.

(ii) VOLUNTARY RESIGNATION. If Executive's employment with the Company is terminated by the Executive by reason of his voluntary resignation within thirty (30) days after the anniversary date of the effective date of a Change in Control, the Company shall pay or otherwise provide to the Executive the following severance benefits:

(A) a lump sum cash payment in an amount equal to the lesser of two (2) times the Executive's current Base Salary at the time of termination, or the Executive's current Base Salary at the time of termination multiplied by the aggregate number of years (or any portion thereof, calculated on a daily basis) remaining in the Employment Period had the Executive's employment not been terminated, provided that such amount shall be paid to the Executive within ten (10) days after the date of termination;

(B) until the earlier of the date the Employment Period

would otherwise have terminated had Executive's employment not been terminated, or the expiration of the twenty-four (24) month period measured from the date of the Executive's termination of employment, the Company shall, at its sole cost and expense provide Executive and his eligible dependents (if any) with healthcare, disability, and life insurance benefits substantially similar to those benefits the Executive and his eligible dependents (if any) were receiving immediately prior to the Executive's termination of employment; provided, however,

(1) the Company shall not be required to provide medical coverage to the extent another employer provides comparable coverage,

(2) with respect to death and disability coverage, the Company shall not be required to provide coverage to the extent another employer provides comparable coverage; and shall pay the cost of supplemental coverage if a new employer provides less than comparable coverage, to allow the Executive to purchase coverage to make total coverage comparable, and

(3) that the coverage provided by the Company pursuant to this subsection 7(b)(ii)(B) shall be in lieu of any other continued coverage for which the Executive or his dependents, if any, would otherwise be eligible pursuant to COBRA.

(iii) TERMINATION BY THE EXECUTIVE FOR GOOD REASON. If, after the effective date of a Change of Control, Executive terminates his employment with the Company for Good Reason, the Company shall pay or

otherwise provide to the Executive the severance benefits described in Section 7(a)(v) hereof.

(iv) TERMINATION BY REASON OF DEATH. If, after the effective date of a Change of Control, Executive's employment with the Company is terminated by reason of Executive's death, the Company shall pay or otherwise provide to Executive's designated beneficiary or beneficiaries the severance benefits described in Section 7(a)(i) hereof.

(v) TERMINATION BY REASON OF DISABILITY. If, after the effective date of a Change of Control, Executive's employment with the Company is terminated by the Company by reason of Disability as described in Section 7(a)(ii) hereof, the Company shall pay or otherwise provide to Executive the severance benefits described in that section.

(vi) TERMINATION BY THE COMPANY OTHER THAN FOR DEATH, DISABILITY, OR CAUSE. If, after the effective date of a Change of Control, Executive's employment with the Company is terminated by the Company other than for Death, Disability, or Cause, the Company shall pay or otherwise provide to the Executive the severance benefits described in Section 7(a)(iv) hereof.

(vii) TERMINATION BY THE COMPANY FOR CAUSE. If, after the effective date of a Change of Control, Executive's employment with the Company is

terminated by the Company for Cause, the Company shall pay Executive the amounts described in Section 7(a)(iii) hereof.

8. PROPRIETARY INFORMATION; COMPANY DOCUMENTS AND MATERIALS.

(a) PROPRIETARY INFORMATION. Executive acknowledges that during the Employment Period, Executive will occupy a position of trust and confidence with respect to Proprietary Information of the Company. Executive understands that he possesses or will possess Proprietary Information that is important to the Company's business and operation. Executive acknowledges that such Proprietary Information is specialized, unique in nature and of great value to the Company and its Affiliates, and that such information gives the Company and its Affiliates a competitive advantage. Executive acknowledges that all Proprietary Information is and shall remain the sole property of the Company or any of its Affiliates. Executive shall not, without limitation in time or until such information shall have become public other than by Executive's unauthorized disclosure (except in connection with the performance of Executive's duties hereunder) disclose to others or use, whether directly or indirectly, any Proprietary Information, or anything relating to such information, regarding the Company or any of its Affiliates.

(b) COMPANY DOCUMENTS AND MATERIALS. Executive agrees that during Executive's employment by the Company, Executive will not remove any Company documents or materials, including Proprietary Information, from the business premises of the Company or deliver any such Company documents or materials to any person or entity outside the Company, except as Executive is required to do in connection with performing the duties of Executive's employment. Executive agrees that, immediately upon the termination of Executive's employment by Executive or by the Company for any reason, or during Executive's employment if so requested by the Company, Executive will return all Company documents and materials, computer tapes and disks, records, lists, data, drawings, prints, notes and written information, apparatus, equipment and other physical property, or any reproduction of such property, excepting only (i) Executive's personal copies of records relating to Executive's compensation; (ii) Executive's personal copies of any materials previously distributed generally to stockholders of the Company; and (iii) Executive's copy of this Agreement.

9. NON-SOLICITATION AND NON-COMPETITION.

(a) NON-SOLICITATION. Executive agrees that during his employment with the Company and for a period of one (1) year following the termination of his employment with the Company, the Executive shall not hire,

attempt to hire, or assist in or facilitate in any way the hiring of any person who, at the time of any such action by the Executive, is an employee of the Company (or any of its Affiliates).

(b) NON-COMPETITION. Executive agrees that if his employment with the Company is terminated for any reason, including upon the expiration of the Employment Period, for a period of one (1) year from the date of such termination of employment, the Executive shall not, directly or indirectly, own, manage, operate,

control, be employed by, participate in, or be connected in any manner with the ownership, management, operation or control of any company, or any subsidiary or division of a company, more than 50% of whose annual revenues, annual research and development expense (including the cost of research and laboratory personnel) or income is attributable to the business of developing, marketing or selling antisense therapeutics or oligonucleotide-based immunostimulatory/immunoregulatory therapeutics or oligonucleotide-based diagnostics.

10. ASSIGNMENT OF RIGHTS. All Executive Developments shall be made for hire by Executive for the Company and Executive waives all moral rights. All Executive Developments shall remain the sole property of the Company. Executive shall acquire no proprietary interest in any Executive Developments developed or acquired during the Employment Period. To the extent Executive may, by operation of law or otherwise, acquire any right, title, or interest in or to any Executive Development, Executive hereby assigns to the Company all such proprietary rights. Executive shall, upon the Company's request, whether during or after the Employment Period, promptly execute and deliver to the Company all such assignments, certificates and instruments, and shall promptly perform such other acts, as the Company may from time to time in its discretion deem necessary or desirable to evidence, establish, maintain, perfect, enforce or defend the Company's rights in Executive Developments.

11. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) or to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and shall perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. The Company may assign this Agreement without the Executive's consent to any company that acquires all or substantially all of the Company's stock or assets. Executive may not assign this Agreement and no person other than the Executive (or his estate) may assert the Executive's rights under this Agreement.

12. NOTICE. Any notice, consent, demand or communication required or permitted to be given by the Company to the Executive under this Agreement shall be in writing, signed by an officer or other authorized representative of the Company, and addressed to the Executive's last known address, and shall be deemed effective upon personal delivery or upon the deposit of same in the U.S. mail with postage and fees prepaid. Any notice, consent, demand or communication required or permitted to be given by the Executive to the Company under this Agreement shall be in writing and signed by the Executive, and shall be deemed effective only upon receipt of the same by the Secretary of the Company at the Company's principal office.

13. COMPANY PLANS. Except to the extent otherwise explicitly provided by this Agreement, any awards made to the Executive under any Company compensation or benefit plan, program, or arrangement shall be governed by the terms of that plan, program, or arrangement and any applicable award agreement thereunder, as in effect from time to time. Notwithstanding the preceding sentence, Executive shall not be

entitled to participate in any Company compensation or benefit plan, program or arrangement that is established after his employment with the Company terminates, and except as specifically provided in this Agreement, Executive shall not be entitled to any additional grants or awards under any Company compensation or benefit plan, program, or arrangement after his employment with the Company terminates.

14. MISCELLANEOUS PROVISIONS.

(a) ENTIRE AGREEMENT. This Agreement constitutes the entire agreement between the parties and terminates and supersedes any and all prior agreements and understandings (whether written or oral) between the parties with respect to the subject matter of this Agreement. Executive acknowledges and agrees that neither the Company, nor anyone acting on its behalf has made, and in executing this Agreement Executive has not relied upon, any representations, promises, or inducements except to the extent the same is expressly set forth herein.

(b) WAIVER. No provision of this Agreement shall be modified, waived, or discharged unless the modification, waiver, or discharge is agreed to in writing and signed by Executive and by an authorized officer or representative of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at a preceding or subsequent time.

(c) CAPACITY. The Executive represents and warrants to the Company that he is not now under any obligation, of a contractual nature or otherwise, to any person, firm, corporation, association or other entity that is inconsistent, or in conflict, with this Agreement or which would prevent, limit or impair in any way the performance by Executive of his obligations hereunder.

(d) CONSULTING. Executive and the Company may, but are not required to, enter into an agreement pursuant to which Executive will provide consulting services to the Company after the date of Executive's retirement or termination of employment with the Company. Any consulting fees paid to the Executive will be in addition to any retirement or severance payments the Executive is entitled to receive from the Company or under any plans, programs, or arrangements maintained by the Company.

(e) SEVERABILITY. In the event that a court of competent jurisdiction determines that any portion of this Agreement is in violation of any law or public policy, only the portion of this Agreement that violates such law or public policy shall be stricken. All portions of this Agreement that do not violate any statute or public policy shall continue in full force and effect. Further, any court order striking any portion of this Agreement shall modify the stricken terms as narrowly as possible to give effect to the intentions of the parties to this Agreement, as expressed herein.

(f) LEGAL FEES. The Company shall pay or reimburse to the Executive an amount equal to reasonable fees for legal representation incurred by the Executive in connection with the preparation of this Agreement and the preparation of additional documents and agreements in support of the terms of this Agreement, including agreements representing the Company's grant of stock options to the Executive under Section 5(b), above, and agreements representing Executive's investment in the Company under Section 6, above. Amounts paid by the Company to, or on behalf of, the Executive as payment or reimbursement for legal fees under this Section 14(f) and amounts paid by the Company to the Executive as reimbursement for moving expenses under Section 5(h) of this Agreement shall not, in the aggregate, exceed $80,000.00.

(g) SURVIVAL OF PROVISIONS. The obligations contained in Sections 8 and 9 above shall survive the termination or expiration of the Employment Period or this Agreement, as applicable, and shall be fully enforceable thereafter in accordance with the terms of this Agreement.

(h) WITHHOLDING. The Executive acknowledges that salary and all other compensation payable under this Agreement shall be subject to

withholding for income and other applicable taxes to the extent required by law, as determined by the Company in its sole discretion.

(i) HEADINGS. The headings or other captions contained in this Agreement are for convenience of reference only and shall not be used in interpreting, construing or enforcing any of the provisions of this Agreement.

(j) GOVERNING LAW. This Agreement shall be governed by the laws of the State of Massachusetts without giving effect to any conflict of law rules that would require the application of the laws of any jurisdiction other than the internal laws of the State of Massachusetts to the rights and duties of the parties, except to the extent the laws of the State of Massachusetts are preempted by federal law.

(k) TERMS. Where appropriate in this Agreement, words used in the singular shall include the plural, and words used in the masculine shall include the feminine or neuter.

(l) COUNTERPARTS. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one agreement binding on the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement effective as of the date first mentioned above.

HYBRIDON, INC.	EXECUTIVE
BY: /s/ James B. Wyngaarden	BY: /s/ Stephen R. Seiler
	Stephen R. Seiler
TITLE: Chairman, Hybridon, Inc.	DATE: August 4, 2001
DATE: August 4, 2001	

APPENDIX A

DEFINITIONS

ACCRUED OBLIGATIONS. "Accrued Obligations" shall mean the sum of (i) any portion of Executive's Bonus accrued as of the date of termination of the Executive's employment for any reason, including by reason of his death, which has not yet been paid, and (ii) reimbursement of any reimbursable expense incurred by the Executive through the date of termination of employment.

AFFILIATE. "Affiliate" shall mean any person or entity which directly or indirectly controls, is controlled by or is under common control with the Company, including any entity directly or indirectly controlled by the Company through the Company's ownership of fifty percent (50%) or more of the voting interests of such entity.

CAUSE. "Cause" shall mean Executive's (i) material breach of any material terms of the Agreement, (ii) plea of guilty or nolo contendre to, or conviction of, the commission of a felony offense, (iii) repeated unexplained or unjustified absence, or refusals to carry out the lawful directions of the Board or (iv) material breach of a fiduciary duty owed to the Company under this

Agreement, provided that any action or inaction described by (i), (iii) or (iv), above, shall not be the basis of a termination of the Executive's employment with the Company for "Cause" unless the Company provided the Executive with at least twenty (20) days advance written notice specifying in reasonable detail the conduct in need of being cured and such conduct was not cured within the notice period.

CHANGE OF CONTROL. "Change of Control" shall mean the occurrence of any of the following events:

(i) a change in ownership or control of the Company effected through either of the following transactions:

(A) any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended ("Exchange Act")), other than a current stockholder of the Company or a trustee or other fiduciary holding securities of the Company under an employee benefit plan maintained by the Company or any corporation owned, directly or indirectly, by the Company's stockholders in substantially the same proportions as their ownership of the Company's stock, becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing fifty percent (50%) or more of the total combined voting power of the Company's then-outstanding securities pursuant to a tender or exchange offer made directly to the Company's stockholders and which the Board does not recommend such stockholders to accept; or

(B) a change in the composition of the Board over a period of thirty-six (36) consecutive months or less such that a majority of the members of the Board ceases to be comprised of individuals who are Continuing Members; for such

purpose, a "Continuing Member" shall mean an individual who is a member of the Board on the date of this Agreement and any successor of a Continuing Member who is elected to the Board or nominated for election by action of a majority of Continuing Members then serving on the Board; or

(ii) either of the following stockholder-approved transactions to which the Company is a party:

(A) a merger or consolidation of the Company with any other corporation other than a merger or consolidation that would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the total voting power represented by the voting securities of the Company or such surviving entity outstanding immediately after such merger or consolidation; or

(B) the sale, transfer or complete liquidation or dissolution of the Company of all or substantially all of the Company's assets.

DISABILITY. "Disability" shall mean the inability of the Executive to perform all the material duties of Executive's position for a continuous period of at least ninety (90) days due to a permanent physical or mental impairment, as determined and certified by a physician selected by the Executive and with the concurrence of a physician selected by the Company, provided that if the physician selected by the Executive and the physician selected by the Company do not agree regarding the determination and certification, a determination and certification rendered by an independent physician mutually agreed upon by the Executive and the Company shall be final and binding on the parties with respect to this Agreement.

EXECUTIVE DEVELOPMENTS. "Executive Developments" shall mean any discovery, invention, design, method, technique, improvement, enhancement, development, or other work of authorship that (i) relates to the business or operation of the Company then conducted or part of the Company's business plan, or (ii) results from or is suggested by any undertaking assigned to the Executive or work performed by Executive for or on behalf of the Company, whether or not during working hours.

GOOD REASON. "Good Reason" shall mean the occurrence of one or

more of the following: (i) any action by the Company which results in a material diminution of Executive's position, title, annual base salary, authority, duties or responsibilities or reporting structure; (ii) any material breach of this Agreement by the Company which is not remedied by the Company within thirty (30) days after receipt by the Company of notice thereof given by Executive specifying in reasonable detail the alleged breach; (iii) failure to elect Executive to serve on the Board during the Employment Period; or (iv) relocation of the Company's headquarters outside the Cambridge Area or 10 miles east of the Worcester area, except in the event of a change in the location of the headquarters of the Company to a site within the continental United States following a Change of Control.

PROPRIETARY INFORMATION. "Proprietary Information" shall mean information that was developed, created, or discovered by or on behalf of the Company, or which became or will become known by, or was or is conveyed to the Company; including, but not limited to, trade secrets, designs, technology, know-how, processes, data, ideas, techniques, inventions (whether patentable or not), works of authorship, formulae, business and development plans, client or customer lists, software programs and subroutines, source and object code, algorithms, terms of compensation and performance levels of Company employees, information about the Company or any of its Affiliates, and their clients and customers that is not disclosed by the Company or any of its Affiliates for financial reporting purposes and that was learned by the Executive in the course of employment by the Company or any of its Affiliates, other information concerning the Company's actual or anticipated business, research or development, or which is received in confidence by or for the Company from any other person, and all papers, resumes, and records (including electronic or computer-generated records) of the documents containing such Proprietary Information. Proprietary Information shall not include information that is publicly available or available through third-party sources so long as it has not become available through a breach of this Agreement by Executive.

EXHIBIT A

NONQUALIFIED STOCK OPTION

SECTION 5(B) OF THE AGREEMENT

Effective as of the date of this Agreement, Executive is hereby granted a nonqualified stock option with respect to 3,150,000 Shares ("Option 1") and a nonqualified stock option with respect to 490,000 Shares ("Option 2") (collectively, "Options"). The Options shall be evidenced by an agreement with terms and conditions substantially similar to those described in the Hybridon, Inc. Amended and Restated 1997 Stock Incentive Plan ("Plan"), provided that neither the grant nor the exercise of the Options shall be conditioned on approval of the Company's shareholders.

Option 1 is subject to terms which include the following:

EXERCISE PRICE:	$0.84 per Share.
VESTING:	Quarterly with respect to a pro rata portion of the Shares subject to the Option, provided that vesting shall commence on September 1, 2001 and the Option shall vest in full not later than September 1, 2006.
OPTION TERM:	10 years.
CHANGE OF CONTROL	The Option shall become fully vested and nonforfeitable, to the extent the Option was not

previously vested or exercised, as of the date that is ten (10) business days before the effective date of a Change of Control.

TERMINATION OF EMPLOYMENT	To the extent the Option has vested, the Option shall be exercisable for a period of six (6) months after the effective date of a termination of Executive's employment for any reason other than death or Disability. If Executive's employment is terminated by reason of death or Disability, the Option shall be exercisable, by the Executive or his beneficiaries, for a period of twelve (12) months after the effective date of his termination of employment.

Option 2 is subject to terms which include the following:

EXERCISE PRICE:	$0.71 per Share.
VESTING:	Quarterly with respect to a pro rata portion of the Shares subject to the Option, provided that vesting shall commence on September 1, 2001 and the Option shall vest in full not later than September 1, 2002.

OPTION TERM:	10 years.
CHANGE OF CONTROL	The Option shall become fully vested and nonforfeitable, to the extent the Option was not previously vested or exercised, as of the date that is ten (10) business days before the effective date of a Change of Control.
TERMINATION OF EMPLOYMENT	To the extent the Option has vested, the Option shall be exercisable for a period of six (6) months after the effective date of a termination of Executive's employment for any reason other than death or Disability. If Executive's employment is terminated by reason of death or Disability, the Option shall be exercisable, by the Executive or his beneficiaries, for a period of twelve (12) months after the effective date of his termination of employment.