AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 15, 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 March 31, 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.

Class	Outstanding as of May 7, 2001
Common Stock, par value $.001 per share	18,710,659

HYBRIDON, INC.

FORM 10-Q

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

Item 3 - Quantitative and Qualitative Disclosure About Market Risk.

PART II - OTHER INFORMATION

Item 1 - None
Item 2 - Changes in Securities and Use of Proceeds
Items 3-6 - None

Signatures

HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

(UNAUDITED)

ASSETS

	MARCH 31, 2001	DECEMBER 31, 2000
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,270,134	$ 1,532,155
Short-term investments	--	2,000,000
Receivables	740,300	337,403
Prepaid expenses and other current assets	40,104	71,616
Total current assets	7,050,537	3,941,174
PROPERTY AND EQUIPMENT, AT COST:		
Leasehold improvements	150,342	150,342
Laboratory equipment and other	5,149,549	5,236,299
	5,299,891	5,386,641
Less-- Accumulated depreciation and amortization	5,216,031	5,295,963
	83,860	90,678
OTHER ASSETS:		
Deferred financing costs and other assets	334,198	969,631
Restricted cash	--	5,000,000
	334,198	5,969,631
	$ 7,468,596	$ 10,001,483

LIABILITIES AND STOCKHOLDERS' DEFICIT

CURRENT LIABILITIES:		
Current portion of long-term debt	$ 6,000,000	$ 6,000,000
Accounts payable	1,279,385	1,084,330
Accrued expenses	1,232,913	1,094,735
Total current liabilities	8,512,297	8,179,065
9% CONVERTIBLE SUBORDINATED NOTES PAYABLE	1,306,000	1,306,000
8% CONVERTIBLE NOTES PAYABLE	692,374	8,046,420
STOCKHOLDERS' (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 -- 612,949 and 626,170 shares at March 31, 2001 and December 31, 2000, respectively (liquidation preference of $63,286,984 at March 31, 2001)	6,130	6,262
Series B convertible preferred stock -- Designated -- 85,000 shares Issued and outstanding -- 76,046 shares at March 31, 2001 (liquidation preference of $7,647,300 at March 31, 2001)	760	--
Common stock, $0.001 par value-- Authorized-- 100,000,000 shares Issued and outstanding-- 18,698,259 and 18,382,237 shares at March 31, 2001 and December 31, 2000, respectively	18,698	18,382
Additional paid-in capital	262,149,597	252,645,636
Accumulated deficit	(265,211,145)	(260,193,046)
Deferred compensation	(6,116)	(7,236)
Total stockholders' deficit	(3,042,076)	(7,530,002)
	$ 7,468,596	$ 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 MARCH 31,	
	2001	2000
REVENUES:		
Research and development	$ 34,000	$ --
Royalty and other income	25,189	77,448
Interest income	105,129	34,641
Total revenues	164,318	112,089
OPERATING EXPENSES:		
Research and development	1,101,051	1,172,767
General and administrative	1,346,538	903,194
Interest	315,069	346,075
Total operating expenses	2,762,658	2,422,036
Loss from continuing operations	(2,598,340)	(2,309,947)
Loss from discontinued operations	--	(394,015)
LOSS BEFORE EXTRAORDINARY ITEM	(2,598,340)	(2,703,962)
EXTRAORDINARY ITEM:		
Loss on early retirement of 8% convertible notes payable	(1,411,876)	--
NET LOSS	(4,010,216)	(2,703,962)
ACCRETION OF PREFERRED STOCK DIVIDENDS	(1,007,884)	(1,070,800)

NET LOSS APPLICABLE TO COMMON STOCKHOLDERS	$ (5,018,100)	$ (3,774,762)
BASIC AND DILUTED NET LOSS PER COMMON SHARE FROM:		
Continuing Operations	$ (0.14)	$ (0.14)
Discontinued Operations	--	(0.02)
Extraordinary Loss	(0.08)	--
NET LOSS PER SHARE	(0.22)	(0.17)
ACCRETION OF PREFERRED STOCK DIVIDENDS	(0.05)	(0.07)
NET LOSS PER SHARE APPLICABLE TO COMMON STOCKHOLDERS	$ (0.27)	$ (0.23)
SHARES USED IN COMPUTING BASIC AND DILUTED LOSS PER COMMON SHARE	18,489,267	16,260,722

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

HYBRIDON, INC. AND SUBSIDIARIES

CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,010,216)	$ (2,703,962)
Loss from discontinued operations	--	(394,015)
Loss from continuing operations, including extraordinary item in the three months ended March 31, 2001	(4,010,216)	(2,309,947)
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	--
Depreciation and amortization	6,817	34,643
Gain on sale of property and equipment	(20,650)	--
Amortization of deferred compensation	1,120	273,854
Amortization of deferred financing costs	113,478	105,045
Non-cash interest expense	250,556	--
Changes in operating assets and liabilities -		
Accounts receivable	(402,897)	150,867
Prepaid expenses and other current assets	31,512	1,756
Notes receivable from officer	--	(2,850)
Accounts payable and accrued expenses	333,232	(728,293)
Net cash used in continuing operating activities	(2,285,171)	(2,474,925)
Net cash provided by discontinued operations	--	337,093
CASH FLOWS FROM INVESTING ACTIVITIES:		
Maturities of short-term investments	2,000,000	--
Proceeds from sale of property and equipment	20,650	--
Net cash provided by investing activities	2,020,650	--
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net proceeds from issuance of common stock	2,500	--
Proceeds from issuance of convertible promissory notes payable	--	1,479,680
Increase in deferred financing costs	--	(98,395)
Decrease in restricted cash and other assets	5,000,000	--
Net cash provided by financing activities	5,002,500	1,381,285
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	4,737,979	(756,547)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	1,532,155	2,551,671
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 6,270,134	$ 1,795,124
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 120,000	$ 193,939

Supplemental disclosure of non cash financing and investing activities:		
Exchange of 8% Convertible Notes Payable for Series B Convertible Preferred Stock	$ 7,604,600	$ -
Accretion of Series A and Series B preferred stock dividends	$ 1,007,884	$ 1,070,800

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

HYBRIDON, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

(UNAUDITED)

(1) ORGANIZATION

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

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 mechanisms. 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 (Note 7).

The Company believes that its existing cash resources and the additional funds to be received upon consummation of the transactions discussed in Note 8 will be sufficient to fund operations through December 31, 2001. The Company will be required to raise substantial additional funds from external sources to support its operations in 2002 and beyond.

(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.

The financial statements of the Company have been restated to reflect the financial results of the Hybridon Specialty Products business as a discontinued operation for the period ended March 31, 2000. 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 Loss per Common Share

The Company applies SFAS No. 128, Earnings per Share. Under SFAS No. 128, basic net loss per common share is computed using the weighted average number of shares of common stock outstanding during the period. Diluted net loss per common share is the same as basic net loss per common share as the effects of the Company's potential common stock equivalents are antidilutive. Antidilutive securities, which consist of stock options, warrants and convertible preferred stock and convertible debt

instruments (on an as-converted basis) that are not included in diluted net loss per common share were 55,422,897 and 49,754,883 for the three months ended March 31, 2001 and 2000, respectively.

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 substantially 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

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 March 31, 2001 and December 31, 2000 consist of the following (at amortized cost, which approximates fair market value):

	MARCH 31 2001	DECEMBER 31 2000 *
Cash and cash equivalents --		
Cash and money market funds.....	$ 1,270,134	$ 238,327
Corporate bond.....	5,000,000	1,293,828
Total cash and cash equivalents.....	$ 6,270,134	$ 1,532,155

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

(5) $6.0 MILLION LOAN

During November 1998, the Company entered into a $6,000,000 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 are as follows: (i) the maturity is November 30, 2003; (ii) the interest rate is 8%; (iii) interest is payable monthly in arrears, with the principal due in full at maturity of the loan; (iv) the note payable is 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 requires minimum liquidity, as defined, of $2,000,000. The Company has classified the outstanding balance of $6,000,000 at December 31, 2000 and March 31, 2001 as a current liability in the accompanying consolidated balance sheets as it does not currently have the financing to remain in compliance with the financial covenants. However, compliance with these covenants has been waived through September 30, 2001 by the noteholders.

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, $3.0 million to the holders in partial satisfaction of the notes. On April 27, 2001, $1.8 million of the $3.0 million was paid upon receipt of the proceeds from the sale of 60% of the Company's holdings in MethylGene. The remaining $1.2 million was paid upon the sale of the 40% balance of the Company's holdings in MethylGene on May 14, 2001. 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 loans held by these entities were paid down by $3.0 million, which was distributed proportionately. The sum of $821,250 will be deposited to secure the loans held by clients of Pecks Management Partners.

(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, the "Conversion Ratio," 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 March 31, 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. 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.

If all shares of Series B Preferred Stock issued to the holders of 8% Notes were converted to common stock at this time, the Company would be required to issue 15,209,200 shares of its 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.

For interest calculation purposes, 8% Notes submitted for exchange were deemed exchanged as of March 5, 2001. Under the offer, all accrued but unpaid interest on the exchanged notes was paid through March 5, 2001 by issuing additional notes in an aggregate principal amount equal to the amount of accrued but unpaid interest. These additional notes were tendered for exchange by the noteholders participating in the offer. Any tender of notes involving denominations of less than $100 in principal amount were exchanged for cash equal to such principal amount. Dividends on shares of Series B Preferred Stock began accruing on March 6, 2001.

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.

As of March 31, 2001, $692,374 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 is 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 exceed certain goals, the Company does not have any such purchase commitment. If Avecia Biotechnology's third party sales do not meet such goals, the Company must 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 and

MethylGene are applied against the Company's commitment. Any unpaid amounts under this agreement will 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.

To the extent that the Company purchases products under this agreement for use in the normal course of business, the Company will record in a manner consistent with its accounting treatment for research materials (expense as incurred). To the extent that the Company makes payments for a purchasing shortfall where it has no use for the related products, the Company will record such amount as an offset against the gain to be recorded in September 2001 upon receipt of the additional $3.0 million payment. On March 31, 2001 and December 31, 2000, the Company had accrued approximately $707,000 and $337,000, respectively, for its purchasing shortfall. These amounts are included in receivables and accounts payable on the accompanying balance sheets. Subsequent to March 31, 2001, all amounts recorded in accounts payable have been paid to Avecia.

(8) INVESTMENT IN METHYLGENE, INC.

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 as a result of helping to found MethylGene in 1999. 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 $7.1 million (US). During the second quarter of 2001, the Company will record a gain for this transaction.

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

GENERAL

Hybridon, established in 1989, utilizes chemically-modified synthetic DNA for medical applications, including the discovery and development of genetically based drugs, which treat diseases by acting on a particular gene. The genetic drugs being developed by Hybridon are based on "antisense" technology, in that they use synthetic DNA material, also called oligonucleotides, with the aim of inhibiting or reducing the body's production of proteins that directly or indirectly cause or support a given disease. Hybridon has also developed a portfolio of chemically modified DNA compounds designed to stimulate responses of the immune system. Chemically-modified DNA is also being developed for use in the laboratory to determine the function of proteins produced by genes whose function has not yet been established.

Hybridon has developed and owns certain medicinal chemistry innovations useful in the design of new synthetic DNA compounds. Hybridon also has rights to technology allowing the chemical modification of synthetic DNA.

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

Hybridon has incurred total losses of approximately $265.2 million through March 31, 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 May 14, 2001, Hybridon had 14 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 March 31, 2000.

RESULTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2001 AND 2000

Hybridon had total revenues of $0.2 million and $0.1 million for the three months ended March 31, 2001 and 2000. The increase in revenues in 2001 over 2000 is primarily due to an increase in interest income in 2001 resulting from higher cash balances available for investment from the HSP sale in September 2000.

Hybridon's research and development expenses were $1.1 million and $1.2 million for the three months ended March 31, 2001 and 2000, respectively. The decrease in research and development expenses reflects more focused R&D activities in order to conserve cash by minimizing operating expenses such as salaries and related costs, clinical and outside testing, consulting, materials and lab expenses. In addition, research and development facilities expenses decreased during this period due to the consolidation of corporate offices and laboratory space and the disposition of the Milford, Massachusetts facility in September 2000.

Hybridon's general and administrative expenses were $1.3 and $0.9 million for the three months ended March 31, 2001 and 2000, respectively. The increase was primarily due to the accrual of executive compensation awards.

Hybridon's interest expense was $0.3 million for the three months ended March 31, 2001 and 2000.

As a result of the above factors, Hybridon incurred net losses from continuing operations of $2.6 million and $2.3 million for the three months ended March 31, 2001 and 2000, respectively. Hybridon incurred net losses from discontinued operations of zero and $0.4 million for the three months ended March 31, 2001 and 2000, respectively.

Hybridon had an extraordinary loss of $1.4 million for the three months ended March 31, 2001 resulting from the conversion of the 8% Notes to Series B Convertible Preferred Stock. See "Item 1 - Financial Statements - Notes to Consolidated Condensed Financial Statements" for a discussion of Hybridon's extraordinary loss. As a result of the transaction, Hybridon recorded a net loss after extraordinary item of $4.0 million for the three months ended March 31, 2001.

Hybridon recorded preferred stock dividends on the Series A and Series B convertible preferred stock of $1.0 million and $1.1 million for the three months ended March 31, 2001 and 2000, respectively, resulting in a net loss applicable to common stockholders of $5.0 million and $3.8 million for the three months ended March 31, 2001 and 2000, respectively.

The net loss from discontinued operations, as presented on the consolidated condensed statement of operations for the three months ended March 31, 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 three months ended March 31, 2001, Hybridon utilized approximately $2.3 million to fund continuing operating activities and did not incur any capital expenditures. The primary use of cash for operating activities was to fund Hybridon's loss of $4.0 million, of which $1.4 million was related to a non-cash extraordinary charge.

Hybridon had cash and cash equivalents of $6.3 million at March 31, 2001. This amount includes cash which had been previously pledged and released for discretionary purposes upon the exchange of the 8% Convertible Notes, effective March 5, 2001.

On May 14, 2001, Hybridon's obligations included $1.3 million principal amount of 9% Notes, a $3.0 million loan from Founders Financial Group LP, formerly Forum Capital Markets, LLC and other lenders, approximately $0.7 million in 8% Convertible Notes and accrued interest as described below, and approximately $0.5 million of accounts payable. The loan agreement covering the $3.0 million loan from the lenders contains financial covenants that require Hybridon to maintain minimum tangible net worth and minimum liquidity requirements. Compliance with these covenants has been waived through September 30, 2001 by the noteholders.

Hybridon received approximately $12.0 million of the $15.0 million from the sale of HSP to Avecia. The remaining $3.0 million is payable on September 21, 2001, subject to offset rights under the agreement to purchase HSP. As part of this transaction, Hybridon 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 exceed certain goals, Hybridon does not have any such purchase commitment. If Avecia Biotechnology's third party sales do not meet such goals, Hybridon must make purchases sufficient to cover the shortfall, subject to an agreed upon formula. Hybridon's commitment is on a "take-or-pay" basis for the fourth quarter of 2000 and each quarter of 2001. Purchases by OriGenix and MethylGene are applied against Hybridon's commitment. Any unpaid amounts under this agreement will 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. Hybridon expects to collect the second installment of the proceeds from the HSP Sale in the amount of $3.0 million assuming that Avecia claims no offset pursuant to offset rights granted it.

To the extent that Hybridon purchases products under this agreement for use in the normal course of business, Hybridon will record in a manner consistent with its accounting treatment for research materials (expense as incurred). To the extent that Hybridon makes payments for a purchasing shortfall where it has no use for the related products, Hybridon will record such amount as an offset against the gain to be recorded in September 2001 upon receipt of the additional $3.0 million payment. On March 31, 2001 and December

31, 2000, Hybridon had accrued approximately $707,000 and $337,000, respectively, for its purchasing shortfall. These amounts are included in receivables and accounts payable on the accompanying balance sheet.

To facilitate the sale of HSP's business and assets, the holders of the 8% Convertible Notes due 2002 and the $6.0 million notes due 2003 amended the terms of a Subordination and Intercreditor Agreement, to release their lien on that portion of Hybridon's assets being conveyed to Avecia. In return for this partial release, Hybridon set aside, from the proceeds of the HSP sale, the sum of $5.0 million, which was classified as restricted cash on its balance sheet as of December 31, 2000 and pledged the same as collateral to secure its obligation to the 8% Convertible Noteholders and the lenders of the $6.0 million loan. The amendment provided that the restrictions on the $5.0 million would be released upon substantial payment of the 8% Notes.

On April 27, 2001, Hybridon 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 Hybridon had a 22% ownership as a result of helping to found MethylGene in 1999. On May 14, 2001, Hybridon 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). Hybridon received total proceeds of approximately $7.1 million (US).

Hybridon's holdings of MethylGene shares were subject to the security interest of the holders of its 8% Convertible Notes due 2002 and its $6.0 million notes due 2003. The following is a discussion of arrangements, which Hybridon made with these noteholders to procure a release of their security interest:

On March 5, 2001, Hybridon 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 Hybridon'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 Hybridon'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 Hybridon'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. If all shares of Series B Preferred Stock issued to the holders of 8% Notes were converted to common stock at this time, Hybridon would be required to issue 15,209,200 shares of its common stock.

The exchange of the notes into Series B shares, being a discharge of Hybridon's obligation under the notes, has resulted in Hybridon becoming entitled to the unrestricted use of $5.0 million, which were proceeds from the sale of its HSP business and which was held as collateral prior to the exchange. As of March 31, 2001, $692,374 of 8% Notes remained outstanding representing those noteholders who did not participate in the exchange offer described above.

For interest calculation purposes, 8% Notes submitted for exchange were deemed exchanged as of March 5, 2001. Under the offer, all accrued but unpaid interest on the exchanged notes was paid through March 5, 2001 by issuing additional notes in an aggregate principal amount equal to the amount of accrued but unpaid interest. These additional notes were tendered for exchange by the noteholders participating in the offer. Any tender of notes involving denominations of less than $100 in principal amount were exchanged for cash equal to such principal amount. Dividends on shares of Series B Preferred Stock began accruing on March 6, 2001.

On March 28, 2001, Hybridon 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, $3.0 million to the holders in partial satisfaction of the notes. On April 27, 2001, $1.8 million of the $3.0 million was paid upon receipt of the proceeds from the sale of 60% of the Company's holdings in MethylGene. The remaining $1.2 million was paid upon the sale of the 40% balance of the Company's holdings in MethylGene on May 14, 2001. 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 upon closing of the MethylGene transactions. This arrangement was made to encourage the holders of these notes to release their security interest in the shares of MethylGene, Inc. Lenders holding the $6,000,000 loan include companies which are holders of 5% or more of Hybridon's common stock. The loans held by these entities were paid down by $3.0 million, which was distributed proportionately. The sum of $821,250 will be deposited to secure the loans held by clients of Pecks Management Partners.

On April 23, 2001, Hybridon and EpiGenesis Pharmaceuticals Inc. entered into 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 of $0.5 million and will receive a portion of future royalties and sublicense fees on any future compounds that use Hybridon's proprietary chemistries.

Hybridon believes that its existing cash resources including the proceeds from the sale of MethylGene stock will be sufficient to fund operations through December 31, 2001. Hybridon will be required to raise substantial additional funds from external sources to support its operations in 2002 and beyond.

During the second quarter of 2001, Hybridon expects to emerge from a period of restructuring with its core scientific and management team intact, very little debt outstanding and a substantial portfolio of patents and patent applications in place. Hybridon has established a strong proprietary position in the immune stimulation and antisense fields and expects to be able to continue its research and development efforts in immune stimulation and antisense. As its compounds continue to be developed in the clinic and in the research pipeline, Hybridon will continue to seek opportunities to license the antisense technology base in chemistry and delivery for use with the proprietary genes of other companies.

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.

FUTURE CAPITAL NEEDS; UNCERTAINTY OF ADDITIONAL FUNDING

Hybridon's future capital requirements will depend on many factors, including the following:

- the amount received under the contingent HSP Sale consideration
- continued scientific progress in its research
- whether or not its drug discovery and development programs succeed
- progress with preclinical and clinical trials
- the time and costs involved in obtaining regulatory approvals
- the costs involved in filing, prosecuting and enforcing patent claims
- competing technological and market developments
- establishing and maintaining collaborative academic and commercial research, development and marketing relationships
- the costs of manufacturing scale-up and commercialization activities and arrangements

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 the Company'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 the Company'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

(b) On March 30, 2001, holders of $6.9 million out of a total of $7.6 million in principal amount of Hybridon's 8% Convertible Notes Due 2002 exchanged their notes for one share of a newly-designated class of Series B Convertible Preferred Stock (par value $.01 per share) for each $100.00 in principal amount of such notes tendered. Shares of the Series B Convertible 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.

(c) On March 30, 2001, Hybridon completed an exchange offer to the holders of its 8% Convertible Notes Due 2002 whereby it will issue a total of 76,046 shares of the newly-designated Series B Convertible Preferred Stock in exchange for the cancellation of $7.6 million of principal amount of 8% Notes and accrued interest. Hybridon relied upon Section 3(a)(9) of the Securities Act of 1933, as amended, as an exemption from registration of the newly-designated, Series B Convertible Preferred Stock.

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

10.70 Amended and Restated 1997 Stock Incentive Plan.

(b) Reports on Form 8-K

None.

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/ Sudhir Agrawal

Date: May 15, 2001
Sudhir Agrawal, D. Phil.
President and Acting Chief Executive Officer

/s/ Robert G. Andersen

Date: May 15, 2001
Robert G. Andersen
Chief Financial Officer and Vice President
of Operations and Planning

Exhibit 10.70

HYBRIDON, INC.

AMENDED AND RESTATED 1997 STOCK INCENTIVE PLAN

1. Purpose

The purpose of this Amended and Restated 1997 Stock Incentive Plan (the "Plan") of Hybridon, Inc., a Delaware corporation (the "Company"), is to advance the interests of the Company's stockholders by enhancing the Company's ability to attract, retain and motivate persons who make (or are expected to make) important contributions to the Company by providing such persons with equity ownership opportunities and performance-based incentives and thereby better aligning the interests of such persons with those of the Company's stockholders. Except where the context otherwise requires, the term "Company" shall include any present or future subsidiary corporations of the Company as defined in Section 424(f) of the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder (the "Code") (a "Subsidiary").

2. Eligibility

All of the Company's employees, officers, directors, consultants and advisors are eligible to be granted options, restricted stock, or other stock-based awards (each, an "Award") under the Plan. Any person who has been granted an Award under the Plan shall be deemed a "Participant".

3. Administration, Delegation

(a) Administration by Board of Directors. The Plan will be administered by the Board of Directors of the Company (the "Board"). The Board shall have authority to grant Awards and to adopt, amend and repeal such administrative rules, guidelines and practices relating to the Plan as it shall deem advisable from time to time. The Board may correct any defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. No member of the Board shall be liable for any action or determination relating to the Plan. All decisions by the Board shall be made in the Board's sole discretion and shall be final and binding on all persons having or claiming any interest in the Plan or in any Award. No director or person acting pursuant to the authority delegated by the Board shall be liable for any action or determination under the Plan made in good faith.

(b) Delegation to Executive Officers. To the extent permitted by applicable law, the Board may delegate to one or more executive officers of the Company the power to make Awards and exercise such other powers under the Plan as the Board may determine, provided that the Board shall fix the maximum number of shares subject to Awards and the maximum number of shares for any one Participant to be made by such executive officers.

(c) Appointment of Committees. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a "Committee"). For so long as the common stock, $.001 par value per share (the "Common Stock"), of the Company is registered under the Securities Exchange Act of 1934 (the "Exchange Act"), the Board shall appoint one such Committee of not less than two members, each member of which shall be an "outside director" within the meaning of Section 162(m) of the Code and a "non-employee director" as defined in Rule 16b-3 promulgated under the Exchange Act." All references in the Plan to the "Board" shall mean a Committee or the Board or the executive officer referred to in Section 3(b) to the extent that the Board's powers or authority under the Plan have been delegated to such Committee or executive officer.

4. Stock Available for Awards

(a) Number of Shares. Subject to adjustment under Section 4(c), Awards

may be made under the Plan for up to 13,500,000 shares of Common Stock. If any Award expires or is terminated, surrendered or canceled without having been fully exercised or is forfeited in whole or in part or results in any Common Stock not being issued, the unused Common Stock covered by such Award shall again be available for the grant of Awards under the Plan, subject, however, in the case of Incentive Stock Options (as hereinafter defined), to any limitation required under the Code. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

(b) Per Participant Limit. Subject to adjustment under Section 4(c), the maximum number of shares with respect to which an Award or Awards may be granted to any Participant under the Plan shall be 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 provided that under no circumstances shall any Award to any Participant exceed 5,000,000 per calendar year. The per Participant limit described in this Section 4(b) shall be construed and applied consistently with Section 162(m) of the Code and shall apply to the Company's "covered employees' as that terms is defined in said Section 162(m).

(c) Adjustment to Common Stock. In the event of any stock split, stock dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off or other similar change in capitalization or event, or any distribution to holders of Common Stock other than a normal cash dividend, (i) the number and class of securities available under this Plan, (ii) the number and class of security and exercise price per share subject to each outstanding Option (as defined below), (iii) the repurchase price per security subject to each outstanding Restricted Stock Award (as defined below), and (iv) the terms of each other outstanding stock-based Award shall be appropriately adjusted by the Company (or substituted Awards may be made, if applicable) to the extent the Board shall determine, in good faith, that such an adjustment (or substitution) is necessary and appropriate. If this Section 4(c) applies and Section 8(e)(1) also applies to any event, Section 8(e)(1) shall be applicable to such event, and this Section 4(c) shall not be applicable.

5. Stock Options

(a) General. The Board may grant options to purchase Common Stock (each, an "Option") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option, including conditions relating to applicable federal or state securities laws, as it considers necessary or advisable. An Option which is not intended to be an Incentive Stock Option shall be designated a "Nonstatutory Stock Option".

(b) Incentive Stock Options. An Option that the Board intends to be an "incentive stock option" as defined in Section 422 of the Code (an "Incentive Stock Option") shall only be granted to employees of the Company and shall be subject to and construed consistently with the requirements of Section 422 of the Code. The Company shall have no liability to a Participant, or any other party, if an Option (or any part thereof) which is intended to be an Incentive Stock Option is not an Incentive Stock Option.

(c) Exercise Price. The Board shall establish the exercise price at the time each Option is granted and specify it in the applicable option agreement.

(d) Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable option agreement.

(e) Exercise of Option. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 5(f) for the number of shares for which the Option is exercised.

(f) Payment Upon Exercise. Common Stock purchased upon the exercise of an Option granted under the Plan shall be paid for as follows:

(1) in cash or by check, payable to the order of the Company;

(2) except as the Board may otherwise provide in an Option

Agreement, delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price;

(3) to the extent permitted by the Board and explicitly provided in the Option Agreement (i) by delivery of shares of Common Stock owned by the Participant valued at their fair market value as determined by the Board in good faith ("Fair Market Value"), which Common Stock was owned by the Participant at least six months prior to such delivery, (ii) by delivery of a promissory note of the Participant to the Company on terms determined by the Board, or (iii) by payment of such other lawful consideration as the Board may determine; or

(4) any combination of the above permitted forms of payment.

6. Restricted Stock

(a) Grants. The Board may grant Awards entitling recipients to acquire shares of Common Stock, subject to the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price (or to require forfeiture of such shares if issued at no cost) from the recipient in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, a "Restricted Stock Award").

(b) Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award, including the conditions for repurchase (or forfeiture) and the issue price, if any. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). At the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or if the Participant has died, to the beneficiary designated, in a manner determined by the Board, by a Participant to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the "Designated Beneficiary"). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

7. Other Stock-Based Awards

The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights.

8. General Provisions Applicable to Awards

(a) Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

(b) Documentation. Each Award under the Plan shall be evidenced by a written instrument in such form as the Board shall determine. Each Award may contain terms and conditions in addition to those set forth in the Plan.

(c) Board Discretion. Except as otherwise provided by the Plan, each type of Award may be made alone or in addition or in relation to any other type of Award. The terms

of each type of Award need not be identical, and the Board need not treat Participants uniformly.

(d) Termination of Status. The Board shall determine the effect on an Award of the disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the Participant, the Participant's legal representative, conservator, guardian or Designated Beneficiary may exercise rights under the Award.

(e) Acquisition Events

(1) Consequences of Acquisition Events. Except to the extent otherwise provided in the instrument evidencing the Award or in any other agreement between the Participant and the Company:

(A) Upon the occurrence of an Acquisition Event,

(i) all Restricted Stock Awards then outstanding shall become immediately free of all restrictions; and

(ii) all other stock-based Awards other than Options and stock appreciation rights shall become immediately exercisable, realizable or vested in full, or shall be immediately free of all restrictions or conditions, as the case may be.

(B) Upon the execution by the Company of an agreement to effect an Acquisition Event other than a Change of Control Event, all Options and stock appreciation rights then outstanding shall become immediately exercisable in full upon the occurrence of the Acquisition Event or such earlier date as may be specified by the Board by written notice to the Participants, and the Board may take one or both of the following actions with respect to then outstanding Options and stock appreciation rights: (I) provide that such Options and stock appreciation rights shall be assumed, or equivalent Options or stock appreciation rights be substituted by the acquiring or succeeding corporation (or an affiliate thereof), or (II) upon written notice to the Participants, provide that all then unexercised Options and stock appreciation rights will terminate to the extent not exercised by the Participants prior to the consummation of such Acquisition Event or such earlier date as may be specified by the Board by written notice to Participants.

(C) Upon the occurrence of a Change of Control Event, all Options and stock appreciation rights then outstanding shall become immediately exercisable in full.

An "Acquisition Event" shall mean: (a) any merger or consolidation which results in the voting securities of the Company outstanding immediately prior thereto representing (either by remaining outstanding or by being converted into voting securities of the surviving or acquiring entity) less than 60% of the combined voting power of the voting securities of the Company or such surviving or acquiring entity outstanding immediately after such merger or consolidation; (b) any sale of all or substantially all of the assets of the Company; (c) the

complete liquidation of the Company; or (d) the acquisition of "beneficial ownership" (as defined in Rule 13d-3 under the Exchange Act) of securities of the Company representing 50% or more of the combined voting power of the Company's then outstanding securities (other than through a merger or consolidation or an acquisition of securities directly from the Company) by any "person," as such term is used in Sections 13(d) and 14(d) of the Exchange Act, other than the Company, any trustee or other fiduciary holding securities under an employee benefit plan of the Company or any corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportion as their ownership of stock of the Company (an event specified in this clause (d) being referred to as a "Change of Control Event").

(2) Assumption of Options Upon Certain Events. The Board may grant Awards under the Plan in substitution for stock and stock-based awards held by employees of another corporation who become employees of the Company as a result of a merger or consolidation of the employing corporation with the Company or the acquisition by the Company of property or stock of the employing corporation. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

(f) Withholding. Each Participant shall pay to the Company, or make provision satisfactory to the Board for payment of, any taxes required by law to be withheld in connection with Awards to such Participant no later than the date of the event creating the tax liability. The Board may allow Participants to satisfy such tax obligations in whole or in part in shares of Common Stock, including shares retained from the Award creating the tax obligation, valued at their Fair Market Value. The Company may, to the extent permitted by law, deduct any such tax obligations from any payment of any kind otherwise due to a Participant.

(g) Amendment of Award. The Board may amend, modify or terminate any outstanding Award, including but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, provided that the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

(h) Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

(i) Acceleration. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be

free of all restrictions or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be.

9. Miscellaneous

(a) No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan, except as expressly provided in the applicable Award.

(b) No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder of such shares.

(c) Effective Date and Term of Plan. The Plan shall become effective on the date on which it is adopted by the Board, but no Award granted to a Participant designated as subject to Section 162(m) by the Board shall become exercisable, vested or realizable, as applicable to such Award, unless and until the Plan has been approved by the Company's stockholders. No Awards shall be granted under the Plan after the completion of ten years from the earlier of (i) the date on which the Plan was adopted by the Board or (ii) the date the Plan was approved by the Company's stockholders, but Awards previously granted may extend beyond that date.

(d) Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time, provided that no Award granted to a Participant designated as subject to 162(m) by the Board after the date of such amendment shall become exercisable, realizable or vested, as applicable to such Award (to the extent that such amendment to the Plan was required to grant such Award to a particular Participant), unless and until such amendment shall have been approved by the Company's stockholders.

(e) Stockholder Approval. For purposes of this Plan, stockholder approval shall mean approval by a vote of the stockholders in accordance with the requirements of Section 162(m) of the Code.

(f) Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law.

Adopted by the Compensation Committee of the Board of Directors on March 28, 2001.

Approved by the stockholders of the Company on _____.