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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2004, or

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

For transition period from_____.

Commission File Number 001-31918

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 ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ 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	**110,901,615**
Class	Outstanding as of November 3, 2004

HYBRIDON, INC.

FORM 10-Q

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Hybridon® and GEM® are our registered trademarks. IMO™, Amplivax™ and IMOxine™ are also our trademarks. Other trademarks appearing in this quarterly report are the property of their respective owners.

PART I — FINANCIAL STATEMENTS

ITEM 1 – *FINANCIAL STATEMENTS*

HYBRIDON, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED BALANCE SHEETS

	SEPTEMBER 30, 2004	DECEMBER 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 8,217,047	$ 7,607,655
Short-term investments	9,172,189	6,060,420
Receivables	196,059	202,936
Prepaid expenses and other current assets	591,379	101,697
Total current assets	18,176,674	13,972,708
Property and equipment, net	358,269	436,813
	$ 18,534,943	$ 14,409,521
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 610,449	$ 675,926
Accrued expenses	1,469,776	1,123,058
Current portion of deferred revenue	190,037	127,537
9% convertible subordinated notes payable	—	1,306,000
Total current liabilities	2,270,262	3,232,521
Deferred revenue, net of current portion	555,539	651,192
Stockholders' equity:		
Preferred stock, $0.01 par value		
Authorized — 5,000,000 shares		
Series A convertible preferred stock		
Designated — 1,500,000 shares		
Issued and outstanding — 655 and 489,205 shares at September 30, 2004 and December 31, 2003, respectively	7	4,892
Common stock, $0.001 par value		
Authorized—185,000,000 and 150,000,000 shares at September 30, 2004 and December 31, 2003, respectively		
Issued and outstanding — 110,887,609 and 70,482,570 shares at September 30, 2004 and December 31, 2003, respectively	110,888	70,483
Additional paid-in capital	312,102,597	294,373,630
Accumulated deficit	(296,469,539)	(283,882,840)
Accumulated other comprehensive loss	(11,903)	(2,995)
Deferred compensation	(22,908)	(37,362)
Total stockholders' equity	15,709,142	10,525,808
	$ 18,534,943	$ 14,409,521

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

HYBRIDON, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2004	2003	2004	2003
Alliance revenue	$ 77,967	$ 333,812	$ 811,342	$ 788,462
Operating expenses:				
Research and development	2,610,184	2,567,019	7,956,290	7,831,226
General and administrative (Note 8)	1,550,875	942,439	3,472,410	5,448,023
Stock-based compensation from repriced options (*)	(18,574)	506,163	(592,358)	641,018
Total operating expenses	4,142,485	4,015,621	10,836,342	13,920,267
Loss from operations	(4,064,518)	(3,681,809)	(10,025,000)	(13,131,805)
Other income (expense):				
Investment income, net	57,296	27,857	143,522	250,809
Interest expense	—	(29,385)	(29,385)	(88,155)
Net loss	(4,007,222)	(3,683,337)	(9,910,863)	(12,969,151)
Accretion of preferred stock dividends (Note 6)	(158)	(1,137,473)	(2,675,836)	(3,402,113)
Net loss applicable to common stockholders	$ (4,007,380)	$ (4,820,810)	$(12,586,699)	$(16,371,264)
Basic and diluted net loss per share (Note 3)	$ (0.04)	$ (0.07)	$ (0.10)	$ (0.28)
Basic and diluted net loss per share applicable to common stockholders (Note 3)	$ (0.04)	$ (0.10)	$ (0.13)	$ (0.35)
Shares used in computing basic and diluted net loss per common share	105,301,234	50,704,488	94,885,691	46,586,065
(*) The following summarizes the allocation of stock-based compensation from repriced options:				
Research and development	$ (13,439)	$ 369,283	$ (429,505)	$ 475,063
General and administrative	(5,135)	136,880	(162,853)	165,955
Total	$ (18,574)	$ 506,163	$ (592,358)	$ 641,018

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

HYBRIDON, INC. AND SUBSIDIARIES

UNAUDITED CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

	NINE MONTHS ENDED SEPTEMBER 30,	
	2004	**2003**
Cash Flows From Operating Activities:		
Net loss	$ (9,910,863)	$(12,969,151)
Adjustments to reconcile net loss to net cash used in operating activities -		
Stock repurchase expense (Note 8)	—	1,857,214
Stock-based compensation	(554,983)	641,018
Depreciation and amortization	236,679	231,734
Realized gain on marketable securities	—	(103,585)
Issuance of common stock for services rendered	92,874	54,000
Non-cash interest expense	—	29,385
Changes in operating assets and liabilities -		
Accounts receivable	6,877	200,074
Prepaid expenses and other current assets	(499,307)	(10,012)
Accounts payable and accrued expenses	281,241	(52,481)
Deferred revenue	(33,153)	(234,886)
Net cash used in operating activities	(10,380,635)	(10,356,690)
Cash Flows From Investing Activities:		
Maturities of held-to-maturity investments	—	14,080,000
Purchase of available-for-sale securities	(15,735,747)	(531,772)
Proceeds from sale of available-for-sale securities	10,000,000	1,743,377
Proceeds from maturity of available-for-sale securities	2,500,000	—
Purchase of property and equipment	(28,611)	(28,201)
Net cash (used in) provided by investing activities	(3,264,358)	15,263,404
Cash Flow From Financing Activities:		
Sale of common stock and warrants, net of issuance costs	15,418,864	13,064,693
Proceeds from exercise of common stock options and warrants	141,521	83,002
Payment on debt	(1,306,000)	—
Repurchase of common stock (Note 8)	—	(5,339,489)
Payments on capital lease	—	(33,591)
Net cash provided by financing activities	14,254,385	7,774,615
Net increase in cash and cash equivalents	609,392	12,681,329
Cash and cash equivalents, beginning of period	7,607,655	4,527,500
Cash and cash equivalents, end of period	$ 8,217,047	$ 17,208,829
Cash paid for interest	$ 58,770	$ 58,770
Supplemental disclosure of non cash financing and investing activities:		
Accretion of Series A convertible preferred stock dividends (Note 6)	$ (569,524)	$ 3,402,113
Dividend from induced conversion of Series A convertible preferred stock (Note 6)	$ 3,245,360	$ —
Conversion of Series A convertible preferred stock into common stock	$ 14,370	$ 10

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

HYBRIDON, INC. AND SUBSIDIARIES

UNAUDITED NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS

SEPTEMBER 30, 2004

(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 therapeutics using synthetic DNA. The Company's activities are primarily based on two technologies: immunomodulatory oligonucleotide (IMO) technology, which modulates responses of the immune system using synthetic DNA containing specific sequences that mimic bacterial DNA, and antisense technology, which uses synthetic DNA to block the production of disease causing proteins at the cellular level.

(2) Unaudited Interim Financial Statements

The accompanying consolidated condensed financial statements included herein have been prepared by the Company, without audit, in accordance with generally accepted accounting principals for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission. Accordingly, 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. In the opinion of management, all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of interim period results have been included. The Company believes that its disclosures are adequate to make the information presented not misleading. Interim results for the three and nine month periods ended September 30, 2004 are not necessarily indicative of results that may be expected for the year ended December 31, 2004. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2003, which was filed with the Securities and Exchange Commission on March 23, 2004.

(3) Net Loss per Common Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	2003	2004	2003
Numerator:				
Net loss	$ (4,007,222)	$ (3,683,337)	$ (9,910,863)	$ (12,969,151)
Accretion of preferred stock dividends	(158)	(1,137,473)	(2,675,836)	(3,402,113)
Numerator for basic and diluted net loss per share applicable to common shareholders	$ (4,007,380)	$ (4,820,810)	$ (12,586,699)	$ (16,371,264)
Denominator for basic and diluted net loss per share	105,301,234	50,704,488	94,885,691	46,586,065
Net loss per share – basic and diluted:				
Net loss per share	$ (0.04)	$ (0.07)	$ (0.10)	$ (0.28)
Accretion of preferred stock dividends	(0.00)	(0.02)	(0.03)	(0.07)
Net loss per share applicable to common stockholders	$ (0.04)	$ (0.10)	$ (0.13)	$ (0.35)

Basic net loss per common share is computed using the weighted average number of shares of common stock outstanding during the period. For the three and nine months ended September 30, 2004 and 2003, diluted net loss per share of common stock is the same as basic net loss per share of common stock, as the effects of the Company's potential common stock equivalents are antidilutive. Total antidilutive securities were 30,201,511 for the three and nine months ended September 30, 2004 and 41,326,860 for the three months and nine months ended September 30, 2003. These antidilutive securities include stock options, warrants, convertible preferred stock and convertible debt instruments (on an as-converted basis) and are not included in the Company's calculation of diluted net loss per common share.

(4) Cash Equivalents and Investments

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, 2004 and December 31, 2003 consisted of cash and money market funds.

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*. Management determines the appropriate classification of marketable securities at the time of purchase. In accordance with SFAS No. 115, investments that the Company does not have the positive intent to hold to maturity are classified as "available-for-sale" and reported at fair market value. Unrealized gains and losses associated with "available-for-sale" investments are recorded in "Accumulated other comprehensive loss" on the accompanying consolidated condensed balance sheets. The amortization of premiums and accretion of discounts, and any realized gains and losses and declines in value judged to be other than temporary, and interest and dividends are included in "Investment income, net" on the accompanying consolidated condensed statement of operations for all available-for-sale securities. The cost of securities sold is based on the specific identification method. The Company had no realized gains or losses for the nine month period ended September 30, 2004. For the nine month period ended September 30, 2003, the Company had approximately $104,000 of realized gains included in "Investment income, net" on the accompanying consolidated condensed statement of operations from available-for-sale securities sold in February 2003. There were no losses or permanent declines in value included in "investment income" for any securities in the three and nine months ended September 30, 2004 and 2003.

Available-for-sale securities are classified as short-term regardless of their maturity date if the Company has them available to fund operations within one year of the balance sheet date. Auction securities are highly liquid securities that have floating interest or dividend rates that reset periodically through an auctioning process that sets rates based on bids. Issuers include municipalities, closed-end bond funds and corporations. These securities can either be debt or preferred shares. The Company's investments consisted of the following at September 30, 2004 and December 31, 2003:

	September 30, 2004	December 31, 2003
Short-term investments		
Available-for-sale at market value:		
Government bonds	$ 4,346,459	$ 999,420
Corporate bonds	2,025,730	1,561,000
Auction securities	2,800,000	3,500,000
Total	$ 9,172,189	$6,060,420

(5) Stock-Based Compensation Related to Repriced Options

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 of the common stock on the date of the repricing. These options are subject to variable plan accounting which requires the Company to 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, 2004, the Company recognized a credit of approximately $19,000 and $592,000, respectively, as stock compensation from these repriced options as a result of a decrease in the intrinsic value of these options between December 31, 2003 and September 30, 2004. For the three months ended September 30, 2003, the Company recorded approximately $506,000 as stock compensation expense from these repriced options as a result of an increase in the intrinsic value of these options between June 30, 2003 and September 30, 2003. For the nine months ended September 30, 2003, the Company recorded approximately $641,000 as stock compensation expense from these repriced options, which included a charge for repriced options exercised between December 31, 2002 and September 30, 2003 when the market value per share of common stock was higher than its value at December 31, 2002.

(6) Series A Convertible Preferred Stock Dividend

On December 4, 2003, the Company's stockholders approved amendments to the Company's Restated Certificate of Incorporation that:

- reduced the liquidation preference of the Company's Series A convertible preferred stock from $100 per share to $1 per share;

- reduced the annual dividend on the Company's Series A convertible preferred stock from 6.5% to 1%; and

- increased the number of shares of the Company's common stock issuable upon conversion of the Company's Series A convertible preferred stock by 25% over the number of shares that would otherwise be issuable for a 60-day conversion period between December 4, 2003 and February 2, 2004 inclusive.

As a result of these amendments, during the 60-day conversion period, the conversion ratio was increased so that the Series A convertible preferred stockholders could receive approximately 29.41 shares of common stock for each share of Series A convertible preferred stock converted instead of the stated conversion rate of 23.53 shares. The value of the additional shares issued during the 60-day conversion period was recorded as an addition to dividends in the consolidated condensed statement of operations at the time of conversion. For the nine months ended September 30, 2004, the Company recorded $3.2 million of preferred stock dividends related to the additional shares issued. During the 60-day conversion period, 99.9% of the Series A convertible preferred stock was converted to common stock.

The combined effects of the amendments to the Company's Restated Certificate of Incorporation and the Series A convertible preferred stock conversions are as follows:

	December 3, 2003	December 31, 2003	September 30, 2004
Shares:			
Series A convertible preferred stock outstanding	722,727	489,205	655
Common stock issued upon conversions (cumulative)	—	6,868,288	21,238,028
Common stock outstanding	63,595,442	70,482,570	110,887,609(*)
Series A convertible preferred stock liquidation preference	$ 73,055,654	$ 494,912	$ 655
Annual dividend amount on Series A convertible preferred stock	$ 4,697,726	$ 937,643	$ 655

(*) As described in Note 11, common stock outstanding at September 30, 2004 includes 16.9 million shares issued in the April 2004 financing and 8.8 million shares issued in the August 2004 financing.

Through September 30, 2004, the Company has always elected to pay the dividends due on the Series A convertible preferred stock in stock. In calculating the number of shares to be paid with respect to each dividend, the Series A convertible preferred stock is valued at $100.00 per share. Based on the Series A convertible preferred stock outstanding as of September 30, 2004, the annual dividend amount is $655. From January 1, 2004 through September 30, 2004, 488,570 shares of Series A convertible preferred stock were converted into 14,369,740 shares of the Company's common stock at the adjusted conversion ratio. As a result of these conversions, $570,000 of dividends accreted during the year ended December 31, 2003 with respect to these shares were reversed during the nine months ended September 30, 2004 because the former holders of these shares of Series A convertible preferred stock were no longer entitled to such dividends once their shares of Series A convertible preferred stock were converted into common stock.

As a result of the amendments to the Company's Restated Certificate of Incorporation and the Series A convertible preferred stock conversions, the Series A convertible preferred stock liquidation preference was reduced from $73,055,654 at December 3, 2003 to $494,912 at December 31, 2003 and $655 at September 30, 2004.

(7) Related Party Transactions

In the nine months ended September 30, 2004, the Company paid Pillar Investment Ltd., which is controlled by a director of the Company, a total of $281,000 for commissions relating to the Company's August 2004 financing. In conjunction with the financing, the Company also issued Pillar Investment Ltd., as additional commissions, warrants to purchase 432,520 shares of common stock at an exercise price of $0.67 per share. These warrants have a Black-Scholes value of approximately $155,000. Optima Life Sciences Limited, which is controlled by Pillar Investment Ltd., purchased 2,768,100 shares of common stock and warrants to purchase 553,620 additional shares of common stock at an exercise price of $0.67 per share in the financing.

In the nine months ended September 30, 2003, the Company paid Pillar S.A. and Pillar Investment Ltd. a total of $505,000 for (i)

consulting services relating to international investor relations (ii) consulting services related to the repurchase of the Company's common stock from certain stockholders and (iii) commissions relating to the Company's August 2003 private placement. In conjunction with the August 2003 private placement, the Company also issued Pillar Investment Limited, as additional compensation for services provided as a placement agent in the private placement, warrants to purchase 587,709 shares of common stock at an exercise price of $1.00 per share. The amounts paid to Pillar in cash and warrants for the August 2003 private placement were less on a percentage basis than the comparable fees paid to the other placement agent involved in the private placement. Optima Life Sciences Limited purchased 5,500,381 shares of common stock and warrants to purchase 1,650,114 additional shares of common stock in the private placement.

Drs. James Wyngaarden and Paul Zamecnik, Chairman of the Board of Directors and a director of the Company, respectively, participated in the August 2003 private placement offering under the same terms as other investors. Dr. Wyngaarden purchased 34,246 shares of common stock and warrants to purchase 10,274 shares of common stock at an exercise price of $1.00 per share; Dr. Zamecnik purchased 68,493 shares of common stock and warrants to purchase 20,548 shares of common stock at an exercise price of $1.00 per share.

In addition to the fees described above, the Company paid a director approximately $15,000 for consulting services rendered in 2004. In 2003, the Company paid two directors approximately $41,000 and $13,000, respectively, for consulting services provided to the Company in 2003. One of these directors was also paid $20,000 in 2003 for consulting services rendered during 2002.

(8) Stock Repurchase

On February 14, 2003, the Company repurchased 4,643,034 shares of its common stock at a price of $1.15 per share from two stockholders and their affiliates. The fair market value of the common stock was $0.75 per share on the date of the transaction resulting in a premium of approximately $1,857,000 in the aggregate. The Company charged this premium to general and administrative expense in the nine months ended September 30, 2003. The repurchased stock was retired on March 13, 2003.

(9) Stock-Based Compensation

The Company applies the disclosure-only provisions of SFAS No. 123, *Accounting for Stock-Based Compensation*, as amended by the disclosure requirements of FASB Statement No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*. The Company continues to account for employee stock compensation at intrinsic value, in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees* and related interpretations, with disclosure of the effects of fair value accounting on net income or net loss and related per share amounts on a pro forma basis. The pro forma effect of applying SFAS No. 123 for the three and nine months ended September 30, 2004 and 2003 would be as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2004	2003	2004	2003
Net loss applicable to common stockholders, as reported	$ (4,007,380)	$ (4,820,810)	$ (12,586,699)	$ (16,371,264)
Less: stock-based compensation expense (income) included in reported net loss	(18,574)	506,163	(592,358)	641,018
Add: stock-based employee compensation expense determined under fair value based method for all awards	(1,053,845)	(255,377)	(1,533,593)	(791,173)
Pro forma net loss applicable to common stockholders, as adjusted for the effect of applying SFAS No. 123	$ (5,079,799)	$ (4,570,024)	$ (14,712,650)	$ (16,521,419)
Basic and diluted net loss per share applicable to common stockholders —				
As reported	$ (0.04)	$ (0.10)	$ (0.13)	$ (0.35)
Pro forma	$ (0.05)	$ (0.09)	$ (0.16)	$ (0.35)

The effects on the three and nine months ended September 30, 2004 and 2003 pro forma net loss and net loss per share of

expensing the estimated fair value of stock options are not necessarily representative of the effects on reported net loss for the years ended December 31, 2004 and 2003 and future years because of the vesting periods of stock options and the potential for issuance of additional stock options in future periods.

(10) Note Payable

On April 1, 2004, the Company's 9% convertible subordinated notes matured. As a result, the Company paid $1,306,000 to the note holders in payment of the principal amount outstanding under the notes plus accrued interest through the maturity date of $58,770. The Company currently has no debt outstanding.

(11) Financings

In August 2004, the Company raised approximately $5.1 million in gross proceeds from a private placement to institutional and overseas investors. In the private placement, the Company sold 8,823,400 shares of common stock and warrants to purchase 1,764,680 shares of common stock. The warrants to purchase common stock have an exercise price of $0.67 per share and will expire if not exercised on or prior to August 27, 2009. The warrants may be exercised by cash payment only. On or after February 27, 2005, the Company may redeem the warrants if the closing sales price of the common stock for each day of any 20 consecutive trading day period is greater than or equal to $1.34 per share. The redemption price will be $0.01 per share of common stock underlying the warrants. The Company may exercise its right to redeem the warrants by providing 30 days prior written notice to the holders of the warrants. The net proceeds to the Company from the offering, excluding the proceeds of any future exercise of the warrants, totaled approximately $4.7 million.

In April 2004, the Company raised approximately $11.8 million in gross proceeds through a registered direct offering. In the offering, the Company sold 16,899,800 shares of common stock and warrants to purchase 3,041,964 shares of common stock to institutional and other investors. The warrants to purchase common stock have an exercise price of $1.14 per share and are exercisable at any time on or after October 21, 2004 and on or prior to April 20, 2009. The warrants may be exercised by cash payment only. On or after October 21, 2005, the Company may redeem the warrants if the closing sales price of the common stock for each day of any 20 consecutive trading day period is greater than or equal to $2.60 per share. The redemption price will be $0.01 per share of common stock underlying the warrants. The Company may exercise its right to redeem the warrants by providing 30 days prior written notice to the holders of the warrants. The net proceeds to the Company from the offering, excluding the proceeds of any future exercise of the warrants, totaled approximately $10.7 million.

In August 2003, the Company raised approximately $14.6 million in gross proceeds from a private placement to institutional and accredited investors. In the private placement, the Company sold 20,053,022 shares of common stock and warrants to purchase 6,015,934 shares of common stock. The warrants to purchase common stock have an exercise price of $1.00 per share and will expire if not exercised by August 28, 2008. The warrants may be exercised by paying cash or by invoking a cashless exercise feature. The Company may redeem the warrants at a price of $0.05 per share of common stock issuable upon exercise of the warrants if the average closing sales price of the common stock for a 10 consecutive trading day period is greater than or equal to $2.00 per share. The net proceeds to the Company from the offering, excluding the proceeds of any future exercise of the warrants, totaled approximately $13.1 million.

(12) Research Collaborations

On June 30, 2004, the Company entered into a research collaboration with Lexicon Genetics Incorporated covering the exploratory evaluation of certain antisense compounds against a target identified by Lexicon. The Company may be entitled to royalties on sales and milestone payments triggered by specified sales levels under this collaboration.

On August 2, 2004, the Company and Alnylam Pharmaceuticals, Inc. entered into a collaboration and license agreement pursuant to which the Company granted to Alnylam an exclusive license to a series of patents and patent applications relating to the therapeutic use of oligonucleotides that inhibit the production of the protein Vascular Endothelial Growth Factor (VEGF). Under the license, Alnylam's rights are limited to targeting VEGF for ocular indications with RNAi molecules. The Company is entitled to receive an up-front payment, annual license fees, milestone payments, royalties and sublicensing payments from Alnylam under the terms of the agreement. The upfront payment, license fees and milestone payments payable to the Company under the agreement could total approximately $4.4 million, if all the milestones are achieved. Milestone payments are triggered by the achievement of specific events in the development process.

(13) New Chief Executive Officer

In August 2004, Dr. Sudhir Agrawal, the Company's President and Chief Scientific Officer, was appointed to the additional position of Chief Executive Officer, replacing Stephen R. Seiler who resigned as CEO of the Company. The Company has accrued approximately $0.7 million for amounts to be paid to Mr. Seiler through September 1, 2006 under his employment agreement. Mr. Seiler also resigned as a director of the Company.

(14) Phase 2 Clinical Trial

In July 2004, the Company signed an agreement with Parexel International to manage the phase 2 clinical trial of IMOxine in patients with renal cell carcinoma. Under the agreement, the Company may pay Parexel up to $4.4 million in connection with this trial. As of September 30, 2004, the Company had paid approximately $0.7 million to Parexel under the agreement.

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

GENERAL

We are engaged in the discovery and development of novel therapeutics using synthetic DNA. Our activities are primarily based on two technologies:

- Our immunomodulatory oligonucleotide, or IMO, technology modulates responses of the immune system using synthetic DNA containing specific sequences that mimic bacterial DNA.
- Our antisense technology uses synthetic DNA to block the production of disease causing proteins at the cellular level.

Since we began operations in February 1990, we have been involved primarily in research and development and manufacturing. To date, almost all of our revenues have been from collaborative and license agreements. In addition, we manufactured synthetic DNA and reagent products within our Hybridon Specialty Products Division, or HSP, prior to our selling HSP in September 2000.

We have incurred total losses of $296.5 million through September 30, 2004 and expect to incur substantial operating losses in the future. In order to commercialize our therapeutic products, we need to address a number of technological challenges and to comply with comprehensive regulatory requirements. We expect our research and development expenses will increase in the fourth quarter of 2004 and 2005 as a result of the commencement of phase 2 clinical trials of HYB2055, the lead drug candidate in our IMO program. We expect our general and administrative expenses for 2004 to remain at approximately the same level as in 2003, excluding for this purpose the $1.9 million charged to general and administrative expenses relating to the repurchase of shares of our common stock in February 2003.

We continue to pursue a strategy of establishing alliances with other biotechnology and pharmaceutical companies for the development and commercialization of products based on our technologies. This strategy is intended to leverage our intellectual property portfolio and create the potential for additional revenue. Developments in 2004 under our collaborative relationships include:

- Aegera Therapeutics, Inc. announced the start of phase 1 clinical trials in the first quarter of 2004 for AEG35156/GEM640, an antisense drug candidate targeted to the XIAP gene, a gene which has been implicated in the resistance of cancer cells to chemotherapy. This drug candidate is being developed by Aegera in collaboration with and under a license from us. Aegera has paid us an upfront license fee and milestones. In addition, we are entitled to receive additional milestone payments upon achievement of specified milestones and royalties on product sales and sublicensing from Aegera under the terms of the agreement.
- Immune Response Corporation (IRC) announced pre-clinical research results which demonstrated that their HIV product candidate IR103 generated robust HIV-1 specific immune responses in models with mice and human blood cells *in vitro*. IR103 combines IRC's HIV-1 immunogen (Remune®) with the IMO adjuvant Amplivax developed by us. IRC has initiated a phase 1 clinical trial of IR103 in Canada and in the United Kingdom. We are entitled to receive payments from IRC at specified times under the agreement and, if successful, royalty payments on net sales of the combination drug.

In addition, we entered into the following collaborative relationships:

- On June 30, 2004, we entered into a research collaboration with Lexicon Genetics Incorporated covering the exploratory evaluation of certain antisense compounds against a target identified by Lexicon. We may be entitled to royalties on sales and milestone payments triggered by specified sales levels under this collaboration.
- On August 2, 2004, we entered into a Collaboration and License Agreement with Alnylam Pharmaceuticals, Inc. pursuant to which we granted to Alnylam an exclusive license to a series of patents and patent applications relating to the therapeutic use of oligonucleotides that inhibit the production of the protein VEGF. Under the license, Alnylam's rights are limited to targeting VEGF for ocular indications with RNAi molecules. We are entitled to receive an up-front payment, annual license fees, milestone payments, royalties and sublicensing payments from Alnylam under the terms of the agreement. The upfront payment, license fees and milestone payments payable to us under the agreement could total approximately $4.4 million, if all the milestones are achieved. Milestone payments are triggered by the achievement of specific events in the development process.

We continue to broaden and strengthen our Board of Directors. In September 2004, Alison Taunton-Rigby, Ph.D., O.B.E. was elected to our Board of Directors. Our Board of Directors now includes seven members, and Dr. Taunton-Rigby's appointment increases the number of independent directors to five.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

This management's discussion and analysis of financial condition and results of operations is based on our consolidated condensed financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition. Management bases its estimates and judgments on historical experience and on various other factors that it believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are more fully described in Note 2 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2003. Not all of these significant accounting policies, however, require management to make difficult, complex or subjective judgments or estimates. We believe that our accounting policies relating to revenue recognition, as described under the caption "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies" in our Annual Report on Form 10-K for the year ended December 31, 2003, fit the definition of "critical accounting estimates and judgments."

RESULTS OF OPERATIONS

Three and Nine Months Ended September 30, 2004 and 2003

Alliance Revenues

Total alliance revenue decreased by $256,000, or 77%, from $334,000 for the three months ended September 30, 2003 to $78,000 for the three months ended September 30, 2004 and increased by $23,000, or 3%, from $788,000 for the nine months ended September 30, 2003 to $811,000 for the nine months ended September 30, 2004. Alliance revenue consists of revenue we receive under our collaboration and licensing agreements and includes research and development payments, milestone payments, license fees, sublicense fees, and royalty payments. The decrease in the third quarter of 2004 was primarily attributable to revenue that we earned from supplying a collaborator with drug product during the third quarter of 2003 which we did not earn in the third quarter of 2004. The increase in the nine months ended September 30, 2004 was primarily attributable to an increase in research and development revenue as a result of additional collaborative partnerships offset by decreased income from sublicense fees and milestone payments earned in the nine months ended September 30, 2004.

Research and Development Expenses

Research and development expenses increased by $43,000, or 2%, from $2,567,000 for the three months ended September 30, 2003 to $2,610,000 for the three months ended September 30, 2004 and increased by $125,000, or 2%, from $7,831,000 for the nine months ended September 30, 2003 to $7,956,000 for the nine months ended September 30, 2004. Research and development expenses for the three months ended September 30, 2004 related primarily to the ongoing clinical program for IMOxine, including preparations for the phase 2 trial in renal cell carcinoma patients. Research and development expenses for the three months ended September 30, 2003 also related primarily to ongoing clinical program for IMOxine, including the phase 1 clinical study of IMOxine in oncology patients with refractory malignant tumors that was commenced in the second quarter of 2003 and building an inventory of drug product. The increase in the nine month period ended September 30, 2004 is primarily attributable to increased expenses from adding additional employees to our drug development team and higher employee recruitment costs and patent fees. These increases were partially offset by a decrease in consulting expense as a result of not renewing a drug development contract which was no longer needed as a result of our hiring. Our other research and development costs in both periods relate primarily to the cost of advancing our basic IMO research and developing our IMO technology. These costs include salaries, allocated overhead, general lab supplies and patent preparation costs and related filing fees.

Our two lead drug candidates are HYB2055 and GEM231:

- HYB2055 is the lead drug candidate in our IMO program. We are developing HYB2055 for oncology applications under the name IMOxine and for adjuvant applications under the name Amplivax. In connection with developing HYB2055, we incurred approximately $0.6 million and $0.3 million in direct external expenses in the three months ended September 30, 2004 and September 30, 2003, respectively, and we incurred approximately $1.9 million and $1.6 million in direct external expenses in the nine months ended September 30, 2004 and 2003, respectively. These direct expenses included payments to clinical sites, independent

contractors and vendors for clinical studies and patent preparation costs and related filing fees and excluded internal costs such as payroll and overhead.

We have completed a phase 1 study of HYB2055 in healthy volunteers in the UK. We have a separate on-going phase 1 clinical trial of IMOxine in the United States in oncology patients with refractory solid tumors. Patient enrollment for this phase 1 oncology trial is complete. We expect to announce further interim results from this phase 1 trial of IMOxine in refractory cancer patients by the end of 2004. In October 2004, we commenced patient enrollment in a phase 2 clinical trial of IMOxine in patients with renal cell carcinoma. This phase 2 trial is a two-stage, multi-center, open label study of IMOxine monotherapy in patients with metastatic or recurrent clear cell renal carcinoma. We plan to recruit a minimum of 46 patients into the first stage of the trial.

- GEM231 is the lead drug candidate in our antisense program. GEM231 is a 2nd generation antisense compound for the treatment of cancer. In connection with developing GEM231, we incurred approximately $0.1 million and $0.2 million in direct external expenses in the three months ended September 30, 2004 and September 30, 2003, respectively, and $0.3 million and $0.5 million in direct external expenses in the nine months ended September 30, 2004 and September 30, 2003, respectively. These direct expenses included patent preparation costs and related filing fees and costs of payments to independent contractors and vendors for clinical studies and excluded internal costs such as payroll and overhead. We are currently conducting a phase 1/2 clinical trial of GEM231 as a combination therapy with irinotecan, a marketed anticancer therapy. Additionally, a single-patient physician-sponsored IND was approved by the FDA to allow continued treatment with GEM231 and irinotecan beyond the scope of our current protocol for a single patient. If the pharmacokinetic data and other findings from this phase 1/2 trial are favorable and resources permit, we may commence a phase 2 trial using this drug combination in 2005. We may also seek a collaborator for the further development of GEM231.

Because these projects are in early stage of development and given the technological and regulatory hurdles likely to be encountered in the development and commercialization of our drugs, the future timing and costs of our various research and development programs are uncertain.

General and Administrative Expenses

General and administrative expenses increased by $608,000, or 65%, from $942,000 in the three months ended September 30, 2003 to $1,551,000 in the three months ended September 30, 2004 and decreased by $1,976,000, or 36%, from $5,448,000 in the nine months ended September 30, 2003 to $3,472,000 in the nine months ended September 30, 2004. The increase for the third quarter of 2004 primarily reflects a charge of $0.7 million relating to the resignation of our former Chief Executive Officer in August 2004 representing the amount to be paid to the former CEO through September 1, 2006 under his employment agreement. The decrease for the nine month period primarily reflects a one-time expense of $1,857,000 representing the premium over fair market value that was paid in repurchasing shares of our common stock in the first quarter of 2003 and other consulting and professional fees related to the repurchase of our common stock. The decrease for the nine month period also reflects decreased expenses incurred in connection with the patent interference proceeding conducted in 2003 offset by the charges relating to the resignation of our former Chief Executive Officer in 2004. Although we are involved in patent interference proceedings, we do not practice nor do we intend to practice the intellectual property involved in these proceedings (see “Risk Factors — Risks Relating to Intellectual Property” below). Other than the expenses incurred with respect to the stock repurchase, patent interference proceedings, and the resignation of our former Chief Executive Officer, general and administrative expenses in the three and nine months ended September 30, 2004 were consistent with general and administrative expenses in the three and nine months ended September 30, 2003. These expenses consisted primarily of salary expense, professional legal fees associated with our regulatory filing requirements and business development expenses.

Stock-Based Compensation

As a result of repricing of our stock options in September 1999, some of our outstanding stock options are subject to variable plan accounting which requires us to measure the intrinsic value of the repriced options through the earlier of the date of exercise, cancellation or expiration at each reporting date. Operating results include a credit of approximately $19,000 and $592,000 for the three and nine months ended September 30, 2004 as a result of a decrease in the intrinsic value of these repriced options from December 31, 2003 to September 30, 2004. We recorded approximately $506,000 of expense from these repriced options as a result of an increase in the intrinsic value of these options in the third quarter of 2003. For the nine months ended September 30, 2003, we recorded approximately $641,000 of stock compensation expense which also includes a charge with respect to repriced options exercised between December 31, 2002 and September 30, 2003 when the market value per share of our common stock was higher than its value at December 31, 2002. Compensation charges and credits will likely occur in the future based upon changes in the market value of our common stock.

Investment Income, net

Investment income increased by approximately $29,000, or 106%, from $28,000 in the three months ended September 30, 2003 to $57,000 in the three months ended September 30, 2004 and decreased by approximately $107,000, or 43%, from $251,000 in the nine months ended September 30, 2003 to $144,000 in the nine months ended September 30, 2004. The change for the nine months ended September 30, 2004 was primarily a result of a one-time gain from the sale of common stock we received from a collaboration partner as payment of a portion of the license fee in the three months ended September 30, 2003.

Interest Expense

On April 1, 2004, upon the maturity of our 9% notes, we paid $1,306,000 representing the outstanding principal amount of our 9% notes, plus accrued interest. As a result, we had no interest expense for the three months ended September 30, 2004. Our interest expense for the three months ended September 30, 2003 was approximately $29,000. Interest expense decreased by approximately $59,000, or 67%, from $88,000 in the nine months ended September 30, 2003 to $29,000 in the nine months ended September 30, 2004. Interest expense in the three and nine months ended September 30, 2003 and the nine months ended September 30, 2004 consisted of interest on our 9% notes.

Preferred Stock Dividends

Accretion of preferred stock dividends decreased by approximately $1,137,000, or 100%, from $1,137,000 for the three months ended September 30, 2003 to nearly zero for the three months ended September 30, 2004 and decreased by $726,000, or 21%, from $3,402,000 for the nine months ended September 30, 2003 to $2,676,000 for the nine months ended September 30, 2004. The decrease for the three and nine month periods was primarily attributable to the conversions of Series A convertible preferred stock into common stock in the fourth quarter of 2003 and the first quarter of 2004. The conversion took place in accordance with an amendment to our Restated Certificate of Incorporation approved by our stockholders on December 4, 2003 that increased the number of shares of our common stock issuable upon conversion of our series A convertible preferred stock by 25% over the number of shares that would otherwise have been issuable upon conversion during a 60-day conversion period. The value of the additional shares issued during the 60-day conversion period was recorded as an addition to dividends in the statement of operations at the time of conversion.

For the nine months ended September 30, 2004, we recorded approximately $3,245,000 of preferred stock dividends related to the additional shares issued in connection with the conversion of Series A convertible preferred stock into common stock in the first quarter of 2004. This additional $3,245,000 dividend was partially offset by a reversal of $570,000 of dividends that were accreted in the fourth quarter of 2003 with respect to these shares but were reversed during the nine months ended September 30, 2004 because the former holders of these shares of Series A convertible preferred stock were no longer entitled to such dividends once their shares of Series A convertible preferred stock were converted into common stock. For the three and nine months ended September 30, 2004, the decrease is attributable to the decrease in the recurring dividend amount since fewer shares of Series A convertible preferred stock are outstanding, and a reduction in the annual dividend accretion rate from 6% to 1% offset in the nine months ended September 30, 2004 by the additional $3,245,000 dividend. The amendment to our Restated Certificate of Incorporation also reduced the liquidation preference on our Series A convertible preferred stock from $100 per share to $1 per share resulting in a reduction in the liquidation preference from approximately $73,100,000 at December 3, 2003 to $655 at September 30, 2004. All preferred stock dividends are payable, at our election, either in cash or shares of Series A convertible preferred stock.

Net Loss Applicable to Common Stockholders

As a result of the factors discussed above, our net loss applicable to common stockholders amounted to approximately $4,007,000 and $4,821,000 for the three months ended September 30, 2004 and 2003, respectively and to approximately $12,587,000 and $16,371,000 for the nine months ended September 30, 2004 and 2003, respectively.

LIQUIDITY AND CAPITAL RESOURCES

Sources of Liquidity

We require cash to fund our operating expenses and to make capital expenditures. Historically, we have funded our cash requirements primarily through the following:

- equity and debt financing;
- license fees and research funding under collaborative and license agreements;
- interest income; and
- lease financings

We have also funded our cash requirements through the following:

- manufacturing of synthetic DNA and reagent products by Hybridon Specialty Products, or HSP prior to its sale in 2000;
- the sale of HSP for which we received a total of $15.0 million in 2000 and 2001; and
- the sale of our shareholding in MethylGene Inc. for which we received a net of $6.9 million in 2001.

In August 2004, we raised approximately $5.1 million in gross proceeds from a private placement to institutional and overseas investors. In the private placement, we sold 8,823,400 shares of common stock and warrants to purchase 1,764,680 shares of common stock. The warrants to purchase common stock have an exercise price of $0.67 per share and will expire if not exercised on or prior to August 27, 2009. The warrants may be exercised by cash payment only. On or after February 27, 2005, we may redeem the warrants if the closing sales price of the common stock for each day of any 20 consecutive trading day period is greater than or equal to $1.34 per share. The redemption price will be $0.01 per share of common stock underlying the warrants. We may exercise our right to redeem the warrants by providing 30 days prior written notice to the holders of the warrants. The net proceeds to us from the offering, excluding the proceeds of any future exercise of the warrants, are expected to total approximately $4.7 million.

Cash Flows

As of September 30, 2004, we had approximately $8,217,000 in cash and cash equivalents and approximately $9,172,000 in short-term investments, which in total represent an increase of approximately $3,721,000 in cash and cash equivalents and short-term investments from December 31, 2003.

We used approximately $10,381,000 of cash for operating activities during the nine months ended September 30, 2004, principally to fund our research and development expenses and our general and administrative expenses.

We purchased approximately $15,736,000 in “available-for-sale” securities and received proceeds of $12,500,000 from the sale and maturity of “available-for-sale” securities in the nine months ended September 30, 2004.

During the nine months ended September 30, 2004, we received a total of approximately $15,419,000 in net proceeds from our April 2004 and August 2004 financings. In addition, we received approximately $142,000 from the exercise of stock options and warrants. During the nine months ended September 30, 2004, we paid $1,306,000 in principal amount upon the maturity of our 9% notes, plus accrued interest. As of September 30, 2004, we had no outstanding debt.

Funding Requirements

Based on our current operating plan, we believe that our existing cash, cash equivalents and short-term investments will be sufficient to fund our cash requirements at least through the third quarter of 2005. Our actual cash requirements will depend on many factors, including particularly the scope and pace of our research and development efforts and our success in entering into strategic alliances.

We do not expect to generate significant additional funds internally until we successfully complete development and obtain marketing approval for products, either alone or in collaboration with third parties, which we expect will take many years. In addition, we have no committed external sources of funds. As a result, in order for us to continue to pursue our clinical and preclinical development programs and continue operations at least through the third quarter of 2005, we will need to raise additional funds. We expect to continue to seek additional external funds from collaborations with other biotechnology companies or pharmaceutical companies and from additional debt, equity and lease financings. We believe that the key factors that will affect our ability to raise cash are:

- the success of our clinical and preclinical development programs;
- the receptivity of the capital markets to financings by biotechnology companies; and
- our ability to enter into strategic collaborations with biotechnology and pharmaceutical companies and the success of such collaborations.

Additional financing may not be available to us when we need it or may not be available to us on favorable terms. We could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our technologies, drug candidates or drugs which we would otherwise pursue on our own. In addition, if we raise additional funds by issuing equity securities, our then existing stockholders will experience dilution. The terms of any financing may adversely affect the holdings or the rights of existing stockholders. If we are unable to obtain adequate funding on a timely basis or at all, we may be required to significantly curtail one or more of our discovery or development programs.

Contractual Obligations

We have contractual obligations in the form of employment agreements, operating leases and consulting and collaboration agreements. On April 1, 2004, we paid our indebtedness under the 9% notes in full upon the maturity of our 9% notes. In July 2004, we signed an agreement with Parexel to manage the phase 2 clinical trial of IMOxine. Under the agreement, our remaining obligation may amount to $3.7 million in connection with the conduct of this trial. The timing of these payments is dependent upon patient enrollment and the progress of the trial.

Except as set forth above, as of September 30, 2004, our contractual obligations have not changed materially from those described under the caption "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources – Contractual Obligations" in our Annual Report on Form 10-K for the year ended December 31, 2003.

FORWARD-LOOKING STATEMENTS

This quarterly report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or incorporated in this report regarding our strategy, future operations, financial position, future revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. The words "believes," "anticipates," "estimates," "plans," "expects," "intends," "may," "projects," "will," and "would" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. We cannot guarantee that we actually will achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. There are a number of important factors that could cause our actual results to differ materially from those indicated or implied by forward-looking statements. These important factors include those set forth below under "Risk Factors." These factors and the other cautionary statements made in this quarterly report should be read as being applicable to all related forward-looking statements whenever they appear in this quarterly report. In addition, any forward-looking statements represent our estimates only as of the date that this quarterly report is filed with the SEC and should not be relied upon as representing our estimates as of any subsequent date. We do not assume any obligation to update any forward-looking statements. We disclaim any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

RISK FACTORS

The following important factors could cause actual results to differ from those indicated by forward-looking statements made by us in this quarterly report on Form 10-Q and elsewhere from time to time.

Risks Relating to Our Financial Results and Need for Financing

We have incurred substantial losses and expect to continue to incur losses. We will not be successful unless we reverse this trend.

We have incurred losses in every year since our inception, except for 2002 when our recognition of revenues under a license and collaboration agreement resulted in us reporting net income for that year. As of September 30, 2004, we had incurred operating losses of approximately $296.5 million. We expect to continue to incur substantial operating losses in future periods. These losses, among other things, have had and will continue to have an adverse effect on our stockholders' equity, total assets and working capital.

We have received no revenues from the sale of drugs. To date, almost all of our revenues have been from collaborative and license agreements and the sale of manufactured synthetic DNA and reagent products by our Hybridon Specialty Products Division prior to our selling that division in September 2000. We have devoted substantially all of our efforts to research and development, including clinical trials, and we have not completed development of any drugs. Because of the numerous risks and uncertainties associated with developing drugs, we are unable to predict the extent of any future losses, whether or when any of our products will become commercially available, or when we will become profitable, if at all.

We will need additional financing, which may be difficult to obtain. Our failure to obtain necessary financing or doing so on unattractive terms could adversely affect our discovery and development programs and other operations.

We will require substantial funds to conduct research and development, including preclinical testing and clinical trials of our drugs. We will also require substantial funds to conduct regulatory activities and to establish commercial manufacturing, marketing and sales capabilities. We believe that, based on our current operating plan, our existing cash and cash equivalents and short-term investments will be sufficient to fund our cash requirements at least through the third quarter of 2005. We will need to raise additional funds to operate our business beyond such time. We believe that the key factors that will affect our ability to raise cash are:

- the success of our clinical and preclinical development programs;
- the receptivity of the capital markets to financings by biotechnology companies; and
- our ability to enter into strategic collaborations with biotechnology and pharmaceutical companies and the success of such collaborations.

Additional financing may not be available to us when we need it or may not be available to us on favorable terms. We could be required to seek funds through arrangements with collaborators or others that may require us to relinquish rights to some of our technologies, drug candidates or drugs which we would otherwise pursue on our own. In addition, if we raise additional funds by issuing equity securities, our then existing stockholders will experience dilution. The terms of any financing may adversely affect the holdings or the rights of existing stockholders. If we are unable to obtain adequate funding on a timely basis or at all, we may be required to significantly curtail one or more of our discovery or development programs. For example, we significantly curtailed expenditures on our research and development programs during 1999 and 2000 because we did not have sufficient funds available to advance these programs at planned levels.

Risks Relating to Our Business, Strategy and Industry

We are depending heavily on the success of HYB2055, our lead 2nd generation IMO compound, which is in clinical development. If we are unable to commercialize this product, or experience significant delays in doing so, our business will be materially harmed.

We are investing a significant portion of our time and financial resources in the development of HYB2055, our lead 2nd generation IMO compound. We anticipate that our ability to generate product revenues will depend heavily on the successful development and commercialization of this product. The commercial success of this product will depend on several factors, including the following:

- successful completion of clinical trials;
- receipt of marketing approvals from the United States Food and Drug Administration, or FDA, and similar foreign regulatory authorities;
- establishing commercial manufacturing arrangements with third party manufacturers;
- launching commercial sales of the product, whether alone or in collaboration with others; and
- acceptance of the product in the medical community and with third party payors.

Our efforts to commercialize this product are at an early stage, as we are currently conducting a phase 1 clinical trial of this

product candidate in the United States and in October 2004, we initiated a phase 2 clinical trial in patients with metastatic or recurrent clear cell renal carcinoma. We have also completed a separate phase 1 trial of this product in the United Kingdom. If we are not successful in commercializing this product, or are significantly delayed in doing so, our business will be materially harmed.

If our clinical trials are unsuccessful, or if they are significantly delayed, we may not be able to develop and commercialize our products.

We may not be able to successfully complete any clinical trial of a potential product within any specified time period. In some cases, we may not be able to complete the trial at all. Moreover, clinical trials may not show our potential products to be both safe and efficacious. Thus, the FDA and other regulatory authorities may not approve any of our potential products for any indication.

In order to obtain regulatory approvals for the commercial sale of our products, we will be required to complete extensive clinical trials in humans to demonstrate the safety and efficacy of our drug candidates. In 2003, we commenced phase 1 clinical trials of HYB2055 in oncology patients, and in October 2004 we initiated a phase 2 clinical trial of HYB2055 for enrollment of patients with metastatic or recurrent clear cell renal carcinoma. We are currently conducting a phase 1/2 clinical trial of GEM231, for the treatment of solid tumor cancer. We may not be able to obtain authority from the FDA or other equivalent foreign regulatory agencies to complete these trials or commence and complete any other clinical trials.

The results from preclinical testing of a drug candidate that is under development may not be predictive of results that will be obtained in human clinical trials. In addition, the results of early human clinical trials may not be predictive of results that will be obtained in larger scale, advanced stage clinical trials. A failure of one or more of our clinical trials can occur at any stage of testing. We may experience numerous unforeseen events during, or as a result of, preclinical testing and the clinical trial process that could delay or prevent our ability to receive regulatory approval or commercialize our products, including:

- regulators or institutional review boards may not authorize us to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- our preclinical tests or clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional preclinical testing or clinical trials or we may abandon projects that we expect to be promising;
- we might have to suspend or terminate our clinical trials if the participating patients are being exposed to unacceptable health risks;
- regulators or institutional review boards may require that we hold, suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements;
- the cost of our clinical trials may be greater than we currently anticipate; and
- the effects of our products may not be the desired effects or may include undesirable side effects or the products may have other unexpected characteristics.

As an example, in 1997, after reviewing the results from the clinical trial of GEM91, our lead 1st generation antisense compound at the time, we determined not to continue the development of GEM91 and suspended clinical trials of this product candidate.

The rate of completion of clinical trials is dependent in part upon the rate of enrollment of patients. Patient accrual is a function of many factors, including:

- the size of the patient population,
- the proximity of patients to clinical sites,
- the eligibility criteria for the study,
- the nature of the study,
- the existence of competitive clinical trials and

- the availability of alternative treatments.

Our product development costs will increase if we experience delays in our clinical trials. We do not know whether planned clinical trials will begin as planned, will need to be restructured or will be completed on schedule, if at all. Significant clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to commercialize our products.

We face substantial competition which may result in others discovering, developing or commercializing drugs before or more successfully than us.

The biotechnology industry is highly competitive and characterized by rapid and significant technological change. We face, and will continue to face, intense competition from organizations such as pharmaceutical and biotechnology companies, as well as academic and research institutions and government agencies. Some of these organizations are pursuing products based on technologies similar to our technologies. Other of these organizations have developed and are marketing products, or are pursuing other technological approaches designed to produce products, that are competitive with our product candidates in the therapeutic effect these competitive products have on diseases targeted by our product candidates. Our competitors may discover, develop or commercialize products or other novel technologies that are more effective, safer or less costly than any that we are developing. Our competitors may also obtain FDA or other regulatory approval for their products more rapidly than we may obtain approval for ours.

Many of our competitors are substantially larger than we are and have greater capital resources, research and development staffs and facilities than we have. In addition, many of our competitors are more experienced than we are in drug discovery, development and commercialization, obtaining regulatory approvals and drug manufacturing and marketing.

We anticipate that the competition with our products and technologies will be based on a number of factors including product efficacy, safety, availability and price.

The timing of market introduction of our products and competitive products will also affect competition among products. We expect the relative speed with which we can develop products, complete the clinical trials and approval processes and supply commercial quantities of the products to the market to be important competitive factors. Our competitive position will also depend upon our ability to attract and retain qualified personnel, to obtain patent protection or otherwise develop proprietary products or processes and to secure sufficient capital resources for the period between technological conception and commercial sales.

Because the products that we may develop will be based on new technologies and therapeutic approaches, the market may not be receptive to these products upon their introduction.

The commercial success of any of our products for which we may obtain marketing approval from the FDA or other regulatory authorities will depend upon their acceptance by the medical community and third party payors as clinically useful, cost-effective and safe. Many of the products that we are developing are based upon technologies or therapeutic approaches that are relatively new and unproven. The FDA has only granted marketing approval for one product based on antisense technology which is currently being marketed by another company for the treatment of cytomegalovirus retinitis, an infectious disease, in patients with AIDs. The FDA has not granted marketing approval to any products based on IMO-like technology and no such products are currently being marketed. As a result, it may be more difficult for us to achieve regulatory approval or market acceptance of our products. Our efforts to educate the medical community on these potentially unique approaches may require greater resources than would be typically required for products based on conventional technologies or therapeutic approaches. The safety, efficacy, convenience and cost-effectiveness of our products as compared to competitive products will also affect market acceptance.

Competition for technical and management personnel is intense in our industry, and we may not be able to sustain our operations or grow if we are unable to attract and retain key personnel.

Our success is highly dependent on the retention of principal members of our technical and management staff, including Sudhir Agrawal. Dr. Agrawal serves as our President and Chief Executive Officer. Dr. Agrawal has extensive experience in the pharmaceutical industry, has made significant contributions to the field of nucleic acid chemistry and is named as an inventor on over 200 patents and patent applications worldwide. Dr. Agrawal provides the scientific leadership for our research and development activities and directly supervises our research staff. The loss of Dr. Agrawal's services would be detrimental to our ongoing scientific progress and the execution of our business plan.

We are a party to an employment agreement with Dr. Agrawal, but this agreement may be terminated by us or Dr. Agrawal for any reason or no reason at any time upon notice to the other party. We do not carry key man life insurance for Dr. Agrawal.

Furthermore, our future growth will require hiring a significant number of qualified technical and management personnel. Accordingly, recruiting and retaining such personnel in the future will be critical to our success. There is intense competition from other companies and research and academic institutions for qualified personnel in the areas of our activities. If we are not able to continue to attract and retain, on acceptable terms, the qualified personnel necessary for the continued development of our business, we may not be able to sustain our operations or grow.

Regulatory Risks

We may not be able to obtain marketing approval for products resulting from our development efforts.

All of the products that we are developing or may develop in the future will require additional research and development, extensive preclinical studies and clinical trials and regulatory approval prior to any commercial sales. This process is lengthy, often taking a number of years, is uncertain and is expensive. Since our inception, we have conducted clinical trials of a number of compounds. In 1997, we determined not to continue clinical development of GEM91, our lead product candidate at the time. Currently, we are conducting clinical trials of two compounds, HYB2055 and GEM231.

We may need to address a number of technological challenges in order to complete development of our products. Moreover, these products may not be effective in treating any disease or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use.

We are subject to comprehensive regulatory requirements, which are costly and time consuming to comply with; if we fail to comply with these requirements, we could be subject to adverse consequences and penalties.

The testing, manufacturing, labeling, advertising, promotion, export and marketing of our products are subject to extensive regulation by governmental authorities in Europe, the United States and elsewhere throughout the world.

In general, submission of materials requesting permission to conduct clinical trials may not result in authorization by the FDA or any equivalent foreign regulatory agency to commence clinical trials. In addition, submission of an application for marketing approval to the relevant regulatory agency following completion of clinical trials may not result in the regulatory agency approving the application if applicable regulatory criteria are not satisfied, and may result in the regulatory agency requiring additional testing or information.

Any regulatory approval of a product may contain limitations on the indicated uses for which the product may be marketed or requirements for costly post-marketing testing and surveillance to monitor the safety or efficacy of the product. Any product for which we obtain marketing approval, along with the facilities at which the product is manufactured, any post-approval clinical data and any advertising and promotional activities for the product will be subject to continual review and periodic inspections by the FDA and other regulatory agencies.

Both before and after approval is obtained, violations of regulatory requirements may result in:

- the regulatory agency’s delay in approving, or refusal to approve, an application for approval of a product;
- restrictions on such products or the manufacturing of such products;
- withdrawal of the products from the market;
- warning letters;
- voluntary or mandatory recall;
- fines;

- suspension or withdrawal of regulatory approvals;
- product seizure;
- refusal to permit the import or export of our products;
- injunctions or the imposition of civil penalties; and
- criminal penalties.

We have only limited experience in regulatory affairs and our products are based on new technologies; these factors may affect our ability or the time we require to obtain necessary regulatory approvals.

We have only limited experience in filing the applications necessary to gain regulatory approvals. Moreover, the products that result from our research and development programs will likely be based on new technologies and new therapeutic approaches that have not been extensively tested in humans. The regulatory requirements governing these types of products may be more rigorous than for conventional drugs. As a result, we may experience a longer regulatory process in connection with obtaining regulatory approvals of any product that we develop.

Risks Relating to Collaborators

We need to establish collaborative relationships in order to succeed.

An important element of our business strategy includes entering into collaborative relationships for the development and commercialization of products based on our discoveries. We face significant competition in seeking appropriate collaborators. Moreover, these arrangements are complex to negotiate and time-consuming to document. We may not be successful in our efforts to establish collaborative relationships or other alternative arrangements.

The success of collaboration arrangements will depend heavily on the efforts and activities of our collaborators. Our collaborators will have significant discretion in determining the efforts and resources that they will apply to these collaborations. The risks that we face in connection with these collaborations include the following:

- disputes may arise in the future with respect to the ownership of rights to technology developed with collaborators;
- disagreements with collaborators could delay or terminate the research, development or commercialization of products, or result in litigation or arbitration;
- we may have difficulty enforcing the contracts if one of our collaborators fails to perform;
- our collaborators may terminate their collaborations with us, which could make it difficult for us to attract new collaborators or adversely affect the perception of us in the business or financial communities;
- collaborators have considerable discretion in electing whether to pursue the development of any additional drugs and may pursue technologies or products either on their own or in collaboration with our competitors that are similar to or competitive with our technologies or products that are the subject of the collaboration with us; and
- our collaborators may change the focus of their development and commercialization efforts. Pharmaceutical and biotechnology companies historically have re-evaluated their priorities following mergers and consolidations, which have been common in recent years in these industries. The ability of our products to reach their potential could be limited if our collaborators decrease or fail to increase spending relating to such products.

Given these risks, it is possible that any collaborative arrangements into which we enter may not be successful. Previous collaborative arrangements to which we were a party with F. Hoffmann-La Roche and G.D. Searle & Co. both were terminated prior to the development of any product. The failure of any of our collaborative relationships could delay our drug development or impair commercialization of our products.

Risks Relating to Intellectual Property

If we are unable to obtain patent protection for our discoveries, the value of our technology and products will be adversely affected.

Our patent positions, and those of other drug discovery companies, are generally uncertain and involve complex legal, scientific and factual questions.

Our ability to develop and commercialize drugs depends in significant part on our ability to:

- obtain patents;
- obtain licenses to the proprietary rights of others on commercially reasonable terms;
- operate without infringing upon the proprietary rights of others;
- prevent others from infringing on our proprietary rights; and
- protect trade secrets.

We do not know whether any of our patent applications or those patent applications which we license will result in the issuance of any patents. Our issued patents and those that may issue in the future, or those licensed to us, may be challenged, invalidated or circumvented, and the rights granted thereunder may not provide us proprietary protection or competitive advantages against competitors with similar technology. Furthermore, our competitors may independently develop similar technologies or duplicate any technology developed by us. Because of the extensive time required for development, testing and regulatory review of a potential product, it is possible that, before any of our products can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thus reducing any advantage of the patent.

Because patent applications in the United States and many foreign jurisdictions are typically not published until 18 months after filing, or in some cases not at all, and because publications of discoveries in the scientific literature often lag behind actual discoveries, neither we nor our licensors can be certain that we or they were the first to make the inventions claimed in issued patents or pending patent applications, or that we or they were the first to file for protection of the inventions set forth in these patent applications

Third parties may own or control patents or patent applications and require us to seek licenses, which could increase our development and commercialization costs, or prevent us from developing or marketing products.

We may not have rights under some patents or patent applications related to our products. Third parties may own or control these patents and patent applications in the United States and abroad. Therefore, in some cases, to develop, manufacture, sell or import some of our products, we or our collaborators may choose to seek, or be required to seek, licenses under third party patents issued in the United States and abroad or under patents that might issue from United States and foreign patent applications. In such event, we would be required to pay license fees or royalties or both to the licensor. If licenses are not available to us on acceptable terms, we or our collaborators may not be able to develop, manufacture, sell or import these products.

We may lose our rights to patents, patent applications or technologies of third parties if our licenses from these third parties are terminated. In such an event, we might not be able to develop or commercialize products covered by the licenses.

We are party to nine royalty-bearing license agreements under which we have acquired rights to patents, patent applications and technology of third parties. Under these licenses we are obligated to pay royalties on net sales by us of products or processes covered by a valid claim of a patent or patent application licensed to us. We also are required in some cases to pay a specified percentage of any sublicense income that we may receive. These licenses impose various commercialization, sublicensing, insurance and other obligations on us. Our failure to comply with these requirements could result in termination of the licenses. These licenses generally will otherwise remain in effect until the expiration of all valid claims of the patents covered by such licenses or upon earlier termination by the parties. The issued patents covered by these licenses expire at various dates ranging from 2006 to 2022. If one or more of these licenses is terminated, we may be delayed in our efforts, or be unable, to develop and market the products that are covered by the applicable license or licenses.

We may become involved in expensive patent litigation or other proceedings, which could result in our incurring substantial costs

and expenses or substantial liability for damages or require us to stop our development and commercialization efforts.

There has been substantial litigation and other proceedings regarding patent and other intellectual property rights in the biotechnology industry. We may become a party to various types of patent litigation or other proceedings regarding intellectual property rights from time to time even under circumstances where we are not practicing and do not intend to practice any of the intellectual property involved in the proceedings. For instance, in 2002, we became involved in an interference declared by the United States Patent and Trademark Office, or USPTO, involving a patent application exclusively licensed by us from University of Massachusetts Medical Center, or UMMC, and three patents issued to the National Institutes of Health. As of September 30, 2004, this interference is still proceeding. In addition, in 2003, we became involved in an interference declared by the USPTO involving another patent exclusively licensed to us from UMMC and a patent application assigned jointly to the University of Montreal and The Massachusetts Institute of Technology. On August 6, 2004, the USPTO entered judgment in favor of the patent application jointly assigned to the University of Montreal and The Massachusetts Institute of Technology and against certain claims of the patent exclusively licensed to us from UMMC. We are neither practicing nor intending to practice the intellectual property involved in either of the interferences of which we are involved.

The cost to us of any patent litigation or other proceeding, including the interferences referred to above, even if resolved in our favor, could be substantial. Some of our competitors may be able to sustain the cost of such litigation or proceedings more effectively than we can because of their substantially greater financial resources. If any patent litigation or other proceeding is resolved against us, we or our collaborators may be enjoined from developing, manufacturing, selling or importing our drugs without a license from the other party and we may be held liable for significant damages. We may not be able to obtain any required license on commercially acceptable terms or at all.

Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace. Patent litigation and other proceedings may also absorb significant management time.

Risks Relating to Product Manufacturing, Marketing and Sales and Reliance on Third Parties

Because we have limited manufacturing experience, we are dependent on third-party manufacturers to manufacture products for us. If we cannot rely on third-party manufacturers, we will be required to incur significant costs and devote significant efforts to establish our own manufacturing facilities and capabilities.

We have limited manufacturing experience and no commercial scale manufacturing capabilities. In order to continue to develop our products, apply for regulatory approvals and ultimately commercialize products, we need to develop, contract for or otherwise arrange for the necessary manufacturing capabilities.

We currently rely upon third parties to produce material for preclinical and clinical testing purposes and expect to continue to do so in the future. We also expect to rely upon third parties to produce materials that may be required for the commercial production of our products.

There are a limited number of manufacturers that operate under the FDA's current good manufacturing practices regulations capable of manufacturing our products. As a result, we may have difficulty finding manufacturers for our products with adequate capacity for our needs. If we are unable to arrange for third party manufacturing of our products on a timely basis, or to do so on commercially reasonable terms, we may not be able to complete development of our products or market them.

Reliance on third party manufacturers entails risks to which we would not be subject if we manufactured products ourselves, including:

- reliance on the third party for regulatory compliance and quality assurance,
- the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control,
- the possibility of termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or inconvenient for us,
- the potential that third party manufacturers will develop know-how owned by such third party in connection with the

production of our products that is necessary for the manufacture of our products, and

- reliance upon third party manufacturers to assist us in preventing inadvertent disclosure or theft of our proprietary knowledge.

Between September 2000 and March 2004, we purchased oligonucleotides for preclinical and clinical testing from Avecia Biotechnology under a manufacturing agreement. Since the expiration of our manufacturing agreement with Avecia in March 2004, Avecia has continued to provide oligonucleotides to us under the terms of that agreement while the parties work to establish a new agreement. We are continuing to purchase oligonucleotides from Avecia for use in clinical trials. If we are unable to enter into a new manufacturing arrangement with Avecia or a new contract manufacturer on a timely basis or at all, our ability to supply the product needed for our clinical trials could be materially impaired.

We have no experience selling, marketing or distributing products and no internal capability to do so.

If we receive regulatory approval to commence commercial sales of any of our products, we will face competition with respect to commercial sales, marketing and distribution. These are areas in which we have no experience. To market any of our products directly, we would need to develop a marketing and sales force with technical expertise and with supporting distribution capability. In particular, we would need to recruit a large number of experienced marketing and sales personnel. Alternatively, we could engage a pharmaceutical or other healthcare company with an existing distribution system and direct sales force to assist us. However, to the extent we entered into such arrangements, we would be dependent on the efforts of third parties. If we are unable to establish sales and distribution capabilities, whether internally or in reliance on third parties, our business would suffer materially.

If third parties on whom we rely for clinical trials do not perform as contractually required or as we expect, we may not be able to obtain regulatory approval for or commercialize our products and our business may suffer.

We do not have the ability to independently conduct the clinical trials required to obtain regulatory approval for our products. We depend on independent clinical investigators, contract research organizations and other third party service providers in the conduct of the clinical trials of our products and expect to continue to do so. We rely heavily on these parties for successful execution of our clinical trials, but do not control many aspects of their activities. We are responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as good clinical practices, for conducting, recording and reporting clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Third parties may not complete activities on schedule or may not conduct our clinical trials in accordance with regulatory requirements or our stated protocols. The failure of these third parties to carry out their obligations could delay or prevent the development, approval and commercialization of our products. If we seek to conduct any of these activities ourselves in the future, we will need to recruit appropriately trained personnel and add to our infrastructure.

If we are unable to obtain adequate reimbursement from third party payors for any products that we may develop or acceptable prices for those products, our revenues and prospects for profitability will suffer.

Most patients will rely on Medicare and Medicaid, private health insurers and other third party payors to pay for their medical needs, including any drugs we may market. If third party payors do not provide adequate coverage or reimbursement for any products that we may develop, our revenues and prospects for profitability will suffer. Congress recently enacted a limited prescription drug benefit for Medicare recipients in the Medicare Prescription Drug and Modernization Act of 2003. While the program established by this statute may increase demand for our products, if we participate in this program, our prices will be negotiated with drug procurement organizations for Medicare beneficiaries and are likely to be lower than we might otherwise obtain. Non-Medicare third party drug procurement organizations may also base the price they are willing to pay on the rate paid by drug procurement organizations for Medicare beneficiaries.

A primary trend in the United States healthcare industry is toward cost containment. In addition, in some foreign countries, particularly the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take six to 12 months or longer after the receipt of regulatory marketing approval for a product. To obtain reimbursement or pricing approval in some countries, we may be required to conduct a clinical trial that compares the cost effectiveness of our product candidates or products to other available therapies. The conduct of such a clinical trial could be expensive and result in delays in commercialization of our products.

Third party payors are challenging the prices charged for medical products and services, and many third party payors limit reimbursement for newly-approved healthcare products. In particular, third party payors may limit the indications for which they will reimburse patients who use any products that we may develop. Cost control initiatives could decrease the price we might establish for products that we may develop, which would result in lower product revenues to us.

We face a risk of product liability claims and may not be able to obtain insurance.

Our business exposes us to the risk of product liability claims that is inherent in the manufacturing, testing and marketing of human therapeutic drugs. Although we have product liability and clinical trial liability insurance that we believe is adequate, this insurance is subject to deductibles and coverage limitations. We may not be able to obtain or maintain adequate protection against potential liabilities. If we are unable to obtain insurance at acceptable cost or otherwise protect against potential product liability claims, we will be exposed to significant liabilities, which may materially and adversely affect our business and financial position. These liabilities could prevent or interfere with our commercialization efforts.

Risks Relating to an Investment in Our Common Stock

Our corporate governance structure, including provisions in our certificate of incorporation and by-laws, our stockholder rights plan and Delaware law, may prevent a change in control or management that stockholders may consider desirable.

Section 203 of the Delaware General Corporation Law and our certificate of incorporation, by-laws and stockholder rights plan contain provisions that might enable our management to resist a takeover of our company or discourage a third party from attempting to take over our company. These provisions include:

- a classified board of directors,
- limitations on the removal of directors,
- limitations on stockholder proposals at meetings of stockholders,
- the inability of stockholders to act by written consent or to call special meetings, and
- the ability of our board of directors to designate the terms of and issue new series of preferred stock without stockholder approval.

These provisions could have the effect of delaying, deferring, or preventing a change in control of us or a change in our management that stockholders may consider favorable or beneficial. These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors and take other corporate actions. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock.

Our stock price has been and may in the future be extremely volatile. In addition, because an active trading market for our common stock has not developed, our investors' ability to trade our common stock may be limited. As a result, investors may lose all or a significant portion of their investment.

Our stock price has been volatile. During the period from January 1, 2002 to September 30, 2004, the closing sale price of our common stock ranged from a high of $1.77 per share to a low of $0.42 per share. The stock market has also experienced significant price and volume fluctuations, and the market prices of biotechnology companies in particular have been highly volatile, often for reasons that have been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including:

- results of clinical trials of our product candidates or those of our competitors;
- the regulatory status of our product candidates;
- failure of any of our product candidates, if approved, to achieve commercial success;
- the success of competitive products or technologies;

- regulatory developments in the United States and foreign countries;
- developments or disputes concerning patents or other proprietary rights;
- the departure of key personnel;
- variations in our financial results or those of companies that are perceived to be similar to us;
- our cash resources;
- the terms of any financing conducted by us;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors and issuance of new or changed securities analysts' reports or recommendations; and
- general economic, industry and market conditions.

In addition, our common stock has historically been traded at low volume levels and may continue to trade at low volume levels. As a result, any large purchase or sale of our common stock could have a significant impact on the price of our common stock and it may be difficult for investors to sell our common stock in the market without depressing the market price for the common stock or at all.

As a result of the foregoing, investors may not be able to resell their shares at or above the price they paid for such shares. Investors in our common stock must be willing to bear the risk of fluctuations in the price of our common stock and the risk that the value of their investment in our stock could decline.

Our former independent public accountant, Arthur Andersen LLP, has been found guilty of a federal obstruction of justice charge. Arthur Andersen LLP has not consented to the inclusion of its audit report with respect to our 2001 consolidated financial statements in our annual report on Form 10-K for the year ended December 31, 2003, and you may be unable to exercise effective remedies against Arthur Andersen LLP in any legal action.

Our former independent public accountant, Arthur Andersen LLP, provided us with auditing services for prior fiscal periods through December 31, 2001, including issuing an audit report with respect to our audited consolidated financial statements as of and for the year ended December 31, 2001, which report is included in our annual report on Form 10-K for the year ended December 31, 2003. On June 15, 2002, a jury in Houston, Texas found Arthur Andersen LLP guilty of a federal obstruction of justice charge arising from the federal government's investigation of Enron Corp. On August 31, 2002, Arthur Andersen LLP ceased practicing before the Securities and Exchange Commission.

We were unable to obtain Arthur Andersen LLP's consent to include its report with respect to our audited consolidated financial statements as of and for the year ended December 31, 2001, in our annual report on Form 10-K for the year ended December 31, 2003. As a result, you may not have an effective remedy against Arthur Andersen LLP in connection with a material misstatement or omission with respect to those audited consolidated financial statements or any filing that we may make with the Securities and Exchange Commission. In addition, even if you were able to assert such a claim, as a result of its conviction and other lawsuits, Arthur Andersen LLP may fail or otherwise have insufficient assets to satisfy claims made by investors or by us that might arise under federal securities laws or otherwise relating to any alleged material misstatement or omission with respect to our audited consolidated financial statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Historically, our primary exposures have been related to non-dollar denominated operating expenses in Europe. As of September 30, 2004, we have no assets and liabilities related to non-dollar denominated currencies.

We maintain investments in accordance with our investment policy. The primary objectives of our investment activities are to

preserve principal, maintain proper liquidity to meet operational needs and maximize yield. Although our investments are subject to credit risk, our investment policy specifies credit quality standards for our investments and limits the amount of credit exposure from any single issue, issuer or type of investment. We do not own derivative financial investment instruments in our investment portfolio.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of September 30, 2004. Based on this evaluation, our CEO and CFO concluded that, as of September 30, 2004, our disclosure controls and procedures were (1) designed to ensure that material information relating to us, including our consolidated subsidiaries, is made known to our CEO and CFO by others within those entities, particularly during the period in which this report was being prepared and (2) effective, in that they provide reasonable assurance that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms.

(b) Changes in Internal Controls. No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act) occurred during the fiscal quarter ended September 30, 2004 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

HYBRIDON, INC.

PART II

OTHER INFORMATION

ITEM 6. EXHIBITS

(a) Exhibits

The list of Exhibits filed as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index immediately preceding such Exhibits, and is incorporated herein by this reference.

SIGNATURES

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

HYBRIDON, INC

Date: November 10, 2004

/s/ Sudhir Agrawal

Sudhir Agrawal
Chief Scientific Officer
Chief Executive Officer
President
(Principal Executive Officer)

Date: November 10, 2004

/s/ Robert G. Andersen

Robert G. Andersen
Chief Financial Officer and Vice President of Operations
(Principal Financial and Accounting Officer)

Exhibit Index

Exhibit No.	
10.1	Engagement letter, dated August 27, 2004, between the Company and Pillar Investment Limited.
10.2	Registration Rights Agreement, dated August 27, 2004, among the Company, Pillar Investments Limited and Purchasers.
10.3	Form of warrants issued to investors and the placement agent in the Company's August 27, 2004 financing.
10.4	Amendment to Employment Agreement, dated August 20, 2004, by and between the Company and Stephen R. Seiler.
31.1	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14 and 15d-14, as adopted pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EXHIBIT 10.1

HYBRIDON, INC.
345 Vassar Street
Cambridge, Massachusetts 02139

August 27, 2004

Pillar Investments Limited
St. James' Chambers
Douglas
Isle of Man

Gentlemen:

This letter sets forth the terms and conditions of the engagement of Pillar Investments Limited (the "Advisor") as a non-exclusive financial advisor to Hybridon, Inc. (the "Company") in connection with the arrangement and negotiation of a private placement of the Company's securities outside of the United States (the "Transaction"). The Advisor, in its capacity as financial advisor to the Company, has identified and will identify potential non-U.S. investors and, subject to the Company's prior written approval, has contacted or will contact such potential investors on behalf of the Company and has provided and will provide such other services in connection with the Transaction as the Company may from time to time reasonably request.

The Advisor has not contacted or initiated and shall not contact or initiate any discussions with any party or prospective investor without first identifying such party or prospective investor to the Company and obtaining the Company's prior written approval to make such contact or initiate such discussions (such parties and prospective investors that are approved by the Company are referred to herein as the "Approved Investors"). The Advisor shall not have authority under this letter to bind the Company in any way to any party, and nothing contained in this letter shall require the Company to accept the terms of any proposal or undertake any other action that would result in the receipt by the Advisor of a fee hereunder.

The Advisor represents, warrants and covenants to the Company that:

(a) It has not offered, offered to sell or sold and shall not offer, offer to sell or sell any securities of the Company on the basis of any written communications or documents relating to the Company or its business other than written materials furnished by the Company or previously approved by the Company in writing, including without limitation the Company's filings under the Securities Exchange Act of 1934, as amended (the "Offering Materials"). No communications (whether oral or written) or documents relating to the Company or its business made or delivered by the Advisor have been or shall be inconsistent with the Offering Materials.

(b) It has not offered, offered to sell or sold and shall not offer, offer to sell or sell any securities of the Company to any investor in the United States or to any United States person outside the United States.

(c) It has not engaged and shall not engage in any form of general solicitation or general advertising which is prohibited by Regulation D ("Regulation D") promulgated under the Securities Act of 1933, as amended (the "Securities Act"), in connection with the Transaction or any directed selling efforts in the United States (as such term is defined in Regulation S ("Regulation S") promulgated under the Securities Act). In addition, such Advisor has not taken and shall not take any action that might reasonably be expected to jeopardize the availability for the Transaction of the exemption from registration provided by Regulation S or the qualification of securities of the Company for offer and sale under any applicable foreign securities laws.

(d) It shall make reasonable inquiry to determine that each investor is acquiring the securities of the Company for his or its own account for investment.

(e) In the performance of its services hereunder, it has complied and shall comply with the U.S. securities laws and the securities laws in effect in any jurisdiction in which securities of the Company are offered by it and the rules, regulations and orders of any securities administrator existing or adopted thereunder.

(f) It shall not receive, directly or indirectly, any remuneration in respect of any issuance and sale by the Company of its securities in the United States or to any U.S. person.

In the event a Transaction with Approved Investors is completed during the term of this letter, the Company will (i) pay the Advisor a fee in an amount equal to 7% of the Aggregate Value (as defined below) of the Transaction received from Approved Investors less $6,000 and (ii) issue to the Advisor a warrant or warrants (in the form issued to Approved Investors in the Transaction, if applicable, and in any event including antidilution protection for stock splits and other similar events and other customary provisions as agreed by the Company and the Advisor; provided that the term of the warrant or warrants shall not exceed five years) to purchase such number of shares of common stock of the Company (the "Warrant Shares") as is equal to 10% of the Issued Shares (as defined below) at an exercise price per share equal to the exercise price of the warrants issued to Approved Investors in the Transaction, if applicable.

For the purposes of this letter, (i) the term "Aggregate Value" shall mean the total amount of cash and the fair market value of all other property paid by Approved Investors to the Company in consideration for the securities of the Company to be issued in the Transaction (excluding, however, any payment made in connection with the exercise of any warrants issued to the investors in the Transaction), and (ii) the term "Issued Shares" shall mean the total number of shares of common stock of the Company issued to the Approved Investors, who were introduced to the Company by the Advisor, in the Transaction (excluding any shares issued upon exercise of any warrants issued to the investors in the Transaction and excluding any shares issued to any affiliate of the Advisor or Youssef El-Zein, including without limitation Optima Life Sciences Limited).

The Advisor recognizes that the Company is subject to the rules of the American Stock Exchange, including Section 711 of the American Stock Exchange Company Guide. Accordingly, the Advisor agrees that notwithstanding the foregoing the Company shall have no obligation hereunder to pay any fees or issue any Warrants to the Advisor that would not comply with the rules of the American Stock Exchange or that would require the Company to obtain stockholder approval. In the event of such a conflict, the Company and the Advisor agree to negotiate in good faith new compensation terms for the Advisor.

In addition to any fees payable to the Advisor under the terms of this letter, the Company agrees to reimburse the Advisor for its reasonable out-of-pocket expenses incurred in connection with the Advisor's activities under this letter, which shall not exceed $35,000, in the aggregate, without the Company's prior approval.

The Company agrees to indemnify the Advisor and its affiliates, directors, officers, employees, agents and controlling persons (each such person being an "Indemnified Party") from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under any applicable federal or state law, or otherwise, related to or arising out of the engagement of the Advisor pursuant to, and the performance by the Advisor of the services contemplated by, this letter and will, subject to the limitation set forth below, reimburse any Indemnified Party for all expenses (including reasonable counsel fees and expenses, whether incurred in connection with third party claims or direct claims against the Company) as they are incurred in connection with the investigation of, preparation for or defense of any pending or threatened claim or any action or proceeding arising therefrom, whether or not such Indemnified Party is a party. The Company will not be liable under the foregoing indemnification provision to

the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted from an Indemnified Party's breach of this letter, bad faith, willful misfeasance, gross negligence or reckless disregard of its obligations or duties. No Indemnified Party shall settle any claim for which indemnification may be sought by him or it hereunder without the prior written consent of the Company. The Company's obligations to indemnify pursuant hereto shall be limited to the Indemnified Party's actual liabilities, losses, damages or expenses incurred and shall not include any consequential damages or damages for loss of business or reputation.

The Company will have the right, at its option, to assume the defense of any litigation or proceeding in respect of which indemnity may be sought hereunder, including the employment of counsel reasonably satisfactory to the Advisor (the Advisor hereby agrees that Wilmer Cutler Pickering Hale and Dorr LLP is satisfactory to the Advisor) and the payment of the fees and expenses of such counsel, in which event, except as provided below, the Company shall not be liable for the fees and expenses of any other counsel retained by any Indemnified Person in connection with such litigation or proceeding. In any such litigation or proceeding the defense of which the Company shall have so assumed, any Indemnified Person shall have the right to participate in such litigation or proceeding and to retain its own counsel.

Upon receipt by an Indemnified Person of actual notice of a claim, action or proceeding against such Indemnified Person in respect of which indemnity may be sought hereunder, such Indemnified Person shall promptly notify the Company with respect thereto. In addition, an

Indemnified Person shall promptly notify the Company after any action is commenced (by the way of service with a summons or other legal process giving information as to the nature and basis of the claim) against such Indemnified Person in respect of which indemnity may be sought hereunder. In any event, failure to notify the Company shall not relieve the Company from any liability which the Company may have on account of this indemnity or otherwise, except to the extent the Company shall have been prejudiced by such failure.

In the course of its services, the Advisor has had and will have access to Confidential Information (as defined below) concerning the Company. The Advisor agrees that all Confidential Information has been and will be treated by the Advisor as confidential in all respects. The term "Confidential Information" shall mean all information, whether written or oral, which is disclosed by the Company or its affiliates, agents or representatives to the Advisor or is otherwise learned of by the Advisor in connection with its role as financial advisor to the Company which information is not in the public domain, but shall not include: (i) information which, prior to disclosure to the Advisor, was already in the Advisor's possession and was not otherwise subject to an obligation of confidentiality; (ii) information which is publicly disclosed other than by the Advisor in violation of this letter; (iii) information which is obtained by the Advisor from a third party that (x) the Advisor does not know to have violated, or to have obtained such information in violation of, any obligation to the Company or its affiliates with respect to such information, and (y) does not require the Advisor to refrain from disclosing such information; and (iv) information which is required to be disclosed by the Advisor or its outside counsel under compulsion of law (whether by oral question, interrogatory, subpoena, civil investigative demand or otherwise) or by order of any court or governmental or regulatory body to whose supervisory authority the Advisor is subject; provided that, in such circumstance, the Advisor will give the Company prior written notice of such disclosure and cooperate with the Company to minimize the scope of any such disclosure. Each Advisor's obligation under this paragraph shall survive the expiration, termination or completion of this letter or the Advisor's engagement hereunder.

The Advisor's engagement hereunder and this letter shall terminate on the earlier of (i) December 31, 2004 or (ii) written notice of termination by the Company to the Advisor or by the Advisor to the Company, it being understood that the provisions relating to confidentiality and indemnification will survive any such termination.

This letter shall be construed and interpreted in accordance with the laws of the Commonwealth of Massachusetts. This letter constitutes the entire

agreement of the parties with respect to the subject matter hereof.

If the foregoing is in accordance with your understanding, please confirm acceptance by signing and returning to us the duplicate of this letter attached herewith.

Sincerely,

HYBRIDON, INC.

By: /s/ R. Andersen

Name: R.G. Andersen
Title: CFO

AGREED AND ACCEPTED AS OF
THE DATE SET FORTH ABOVE BY:

PILLAR INVESTMENTS LIMITED

By : /s / Youssef El Zein

Youssef El Zein
Title: Director

EXHIBIT 10.2

HYBRIDON, INC.

REGISTRATION RIGHTS AGREEMENT

dated as of August 27, 2004

HYBRIDON, INC.

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is entered into as of August 27, 2004 by and among Hybridon, Inc., a Delaware corporation (the "Company"), the persons and entities listed on the Schedule of Purchasers attached hereto as Exhibit A (the "Purchasers") and the entities listed on the Schedule of Agents attached hereto as Exhibit B (the "Agents"). The Purchasers and the Agents shall become parties to this Agreement by the execution and delivery of counterpart signature pages hereto in a form reasonably satisfactory to the Company.

WHEREAS, the Company is conducting an offering of Units (the "Unit Offering"), with each Unit consisting of 100 shares of the Company's common stock, $.001 par value per share ("Common Stock"), and warrants to purchase 20 shares of Common Stock (the "Purchaser Warrants"), as described in the Confidential Private Placement Memorandum dated August 25, 2004;

WHEREAS, in connection with the Unit Offering, the Company has engaged the Agents and has agreed to issue to the Agents warrants to purchase Common Stock (the "Agent Warrants"); and

WHEREAS, to induce the Purchasers to purchase Units in the Unit Offering and the Agents to assist the Company in the Unit Offering, the Company has agreed to provide certain registration rights under the Securities Act (as defined below) and applicable state securities laws;

NOW, THEREFORE, in consideration of the promises and the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and each of the

Purchasers and the Agents hereby agree as follows:

1. Certain Definitions. As used in this Agreement, the following terms shall have the following meanings:

(a) "Business Day" means any day other than Saturday, Sunday or any other day on which commercial banks in The City of New York or in Boston, Massachusetts are required by law to remain closed.

(b) "Commission" means the Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

(c) "Exchange Act" means the Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

(d) "Indemnified Party" means a party entitled to indemnification pursuant to Section 7.

(e) "Indemnifying Party" means a party obligated to provide indemnification pursuant to Section 7.

(f) "Person" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization or association and governmental or any department or agency thereof.

(g) "Registrable Securities" means (i) the shares of Common Stock issued as part of the Units issued pursuant to the Unit Offering, (ii) the shares of Common Stock issued or issuable upon exercise of the Purchaser Warrants and the Agent Warrants and (iii) any other shares of Common Stock issued in respect of such shares (as a result of a stock split, stock dividend, reclassification, recapitalization or other similar transaction affecting the Common Stock); provided, however, that shares of Common Stock that are Registrable Securities shall cease to be Registrable Securities upon the earliest of (A) the date that such shares are eligible to be sold under Rule 144 of the Securities Act, without restriction by the volume limitations of Rule 144(e) of the Securities Act, (B) the date that such shares are sold (I) pursuant to a registration statement, (II) to or through a broker, dealer or underwriter in a public securities transaction and/or (III) in a transaction exempt from the registration and prospectus delivery requirements of the Securities Act such that all transfer restrictions and restrictive legends with respect thereto, if any, are removed upon the consummation of such sale, or (C) any sale or transfer to any Person which by virtue of Section 9 of this Agreement is not entitled to the rights provided by this Agreement. Wherever reference is made in this Agreement to a request or consent of holders of a certain percentage of Registrable Securities, the determination of such percentage shall include shares of Common Stock issuable upon exercise of the Purchaser Warrants and the Agent Warrants even if such exercise has not been effected.

(h) "Registration Statement" means a registration statement of the Company filed under the Securities Act and covering the Registrable Securities.

(i) "Rightsholders" means the Purchasers, the Agents and any persons or entities to whom the rights granted under this Agreement are transferred by any Purchaser, Agent or his or its successors or assigns pursuant to Section 9 of this Agreement.

(j) "Securities Act" means the Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

2. Registration

(a) The Company shall use its best efforts to prepare and file with the Commission a Registration Statement covering the resale of all of the

Registrable Securities and such other shares of Common Stock as the Company may be required to include pursuant to registration rights agreements with other Persons within 60 days of the date hereof. The Company shall use its best efforts to have the Registration Statement declared effective by the Commission within 90 days after the date the Registration Statement is filed or as soon as possible thereafter.

(b) The Company shall use its best efforts to cause the Registration Statement to remain effective until the date on which the Rightsholders do not hold any Registrable Securities.

3. Registration Procedures.

(a) In connection with the effectiveness of the Registration Statement, the Company shall furnish to each Rightsholder such reasonable numbers of copies of the prospectus and such documents incident thereto, including any amendment of or supplement to the prospectus, as a Rightsholder from time to time may reasonably request in order to facilitate the disposition of such Rightsholder's Registrable Securities under the Registration Statement in conformity with the requirements of the Securities Act.

(b) The Company shall use its best efforts to register or qualify the Registrable Securities covered by the Registration Statement under the securities laws of such states of the United States as the Rightsholders may reasonably request; provided, however, that the Company shall not be required in connection with this paragraph (b) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction.

(c) If the Company has delivered preliminary or final prospectuses to the Rightsholders and if after having done so the Company determines that the prospectus and/or the Registration Statement needs to be amended or supplemented to comply with the requirements of the Securities Act, the Company shall promptly notify the Rightsholders and, if requested by the Company, the Rightsholders shall immediately cease making offers or sales of shares under the Registration Statement and shall return all prospectuses to the Company. The Company shall as promptly as reasonably practicable prepare and file with the Commission any required amendment or supplement and following such filing, and, if applicable, the effectiveness of such filing, shall provide the Rightsholders with revised or supplemented prospectuses. Following receipt of the revised or supplemented prospectuses, the Rightsholders shall be free to resume making offers and sales under the Registration Statement.

(d) The Company shall use its best efforts to cause all such Registrable Securities registered pursuant to this Agreement to be listed on each securities exchange on which similar securities issued by the Company are then listed.

4. Limitations on Registration Rights.

(a) The Company may, by written notice to the Rightsholders, (i) delay the filing of, or effectiveness of, the Registration Statement or (ii) suspend the Registration Statement after effectiveness and require that the Rightsholders immediately cease sales of shares pursuant to the Registration Statement, in the event that the Company is engaged in any activity or transaction or preparations or negotiations for any activity or transaction that the Company desires to keep confidential for business reasons, if the Company determines in good faith that the public disclosure requirements imposed on the Company under the Securities Act in connection with the Registration Statement would require disclosure of such activity, transaction, preparations or negotiations.

(b) If the Company requires the Rightsholders to cease sales of

shares pursuant to paragraph (a) above, the Company shall, as promptly as practicable following the termination of the circumstance which entitled the Company to do so, take such actions as may be necessary to reinstate the effectiveness of the Registration Statement and/or give written notice to all Rightsholders authorizing them to resume sales pursuant to the Registration Statement. If as a result thereof the prospectus included in the Registration Statement has been amended to comply with the requirements of the Securities Act, the Company shall enclose such revised prospectus with the notice to Rightsholders given pursuant to this paragraph (b), and the Rightsholders shall make no offers or sales of shares pursuant to the Registration Statement other than by means of such revised prospectus.

(c) Notwithstanding the foregoing, the Company may not (i) delay the filing of, or the effectiveness of, the Registration Statement or (ii) suspend the Registration Statement, pursuant to paragraph (a) above on more than two occasions during any 12-month period or for more than 60 days per such occasion.

5. Obligations of the Rightsholders.

(a) The Company shall not be required to include any Registrable Securities in the Registration Statement unless such Rightsholder shall have furnished to the Company such information regarding itself, the Registrable Securities held by it and the intended method of disposition of the Registrable Securities held by it as shall be reasonably required by the Company to effect the effectiveness of the Registration Statement and unless such Rightsholder shall have executed such documents in connection with the Registration Statement as the Company may reasonably request. Each Rightsholder shall promptly notify the Company of any material change with respect to such information previously provided to the Company by such Rightsholder, including without limitation notice of the sale by the Rightsholder of any Registrable Securities.

(b) Each Rightsholder agrees to cooperate with the Company as reasonably requested by the Company in connection with the preparation and filing of the Registration Statement hereunder.

6. Expenses of Registration. The Company shall pay the expenses incurred by it in complying with its obligations under this Agreement, including all registration and filing fees, exchange listing fees, fees and expenses of counsel for the Company, and fees and expenses of accountants for the Company, but excluding (a) any brokerage fees, selling commissions or underwriting discounts incurred by the Rightsholders in connection with sales under the Registration Statement and (b) the fees and expenses of any counsel retained by Rightsholders.

7. Indemnification and Contribution.

(a) In the event of any registration of any of the Registrable Securities under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless each Rightsholder, each of its officers, directors and partners, and each underwriter of such Registrable Securities, if any, and each other person, if any, who controls such Rightsholder or underwriter within the meaning of the Securities Act or the Exchange Act against any and all

losses, claims, damages or liabilities, joint or several, to which such Rightsholder, underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement or (ii) the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse such Rightsholder, underwriter and each such controlling person for any legal or any other expenses reasonably incurred by such Rightsholder, underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or

action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or action arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or final prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company by or on behalf of such Rightsholder, underwriter or controlling person and stated to be specifically for use in connection with the Registration Statement; and provided further that the foregoing indemnity agreement is subject to the condition that, insofar as it relates to any untrue statement, alleged untrue statement, omission or alleged omission made in any Registration Statement, prospectus or amendment or supplement that was eliminated, remedied or cured by the Company, such indemnity agreement shall not inure to the benefit of any Rightsholder from whom the Person asserting any loss, claim, damage or liability purchased the Registerable Securities if a copy of the Registration Statement, prospectus, amendment or supplement was provided by the Company to the Rightsholder but was not given or sent to such Person by the Rightsholder prior to written confirmation of such sale.

(b) Each Rightsholder, severally and not jointly, will indemnify and hold harmless the Company, each of its directors and officers and each underwriter (if any) and each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Company, such directors and officers, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of a material fact contained in the Registration Statement, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or (ii) any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if and to the extent (and only to the extent) that the statement or omission was made in reliance upon and in conformity with written information relating to such Rightsholder furnished to the Company by such Rightsholder and stated to be specifically for use in connection with such Registration Statement, prospectus, amendment or supplement; provided, however, that the obligations of a Rightsholder hereunder shall be limited to an amount equal to the net proceeds to such Rightsholder of Registrable Securities sold in connection with such registration.

(c) Each Indemnified Party shall give notice to the Indemnifying Party promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld, conditioned or delayed); and, provided, further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section 7 except to the extent that the Indemnifying Party is adversely affected by such failure. The Indemnified Party may participate in such defense at such party's expense; provided, however, that the Indemnifying Party shall pay such expense if the Indemnified Party reasonably concludes based upon written advice of its counsel that representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding; provided further that in no event shall the Indemnifying Party be required to pay the expenses of more than one law firm per jurisdiction as counsel for the Indemnified Party. The Indemnifying Party also shall be responsible for the expenses of such defense if the Indemnifying Party does not elect to assume such defense. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld,

conditioned or delayed.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 7 is due in accordance with its terms but for any reason is held to be unavailable to an Indemnified Party in respect to any losses, claims, damages and liabilities referred to herein, then the Indemnifying Party shall, in lieu of indemnifying such Indemnified Party, contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities to which such party may be subject in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and the Rightsholders on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and the Rightsholders shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material fact related to information supplied by the Company or the Rightsholders and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and the Rightsholders agree that it would not be just and equitable if contribution pursuant to this Section 7(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 7(d), (i) in no case shall any one Rightsholder be liable or responsible for any amount in excess of the gross proceeds received by such Rightsholder from the offering of Registrable Securities and (ii) the Company shall be liable and responsible for any amount in excess of such proceeds; provided, however, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such

fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section 7(d), notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties from whom contribution may be sought shall not relieve such party from any other obligation it or they may have thereunder or otherwise under this Section 7(d) except to the extent that the party or parties from whom contribution may be sought are adversely affected. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its prior written consent, which consent shall not be unreasonably withheld, conditioned or delayed.

8. Reporting. With a view to making available to the Rightsholders the benefits of Rule 144 promulgated under the Securities Act or any other similar rule or regulation of the Commission that may at any time permit the Rightsholders to sell securities of the Company to the public without registration ("Rule 144"), for so long as Rightsholders continue to own Registrable Securities, the Company shall use its reasonable efforts to:

(a) make and keep public information available, as those terms are understood and defined in Rule 144, and file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act; and

(b) furnish to each Rightsholder, for so long as such Rightsholder owns Registrable Securities, promptly upon request, (i) a written statement by the Company, if true, that it has complied with the applicable reporting requirements of Rule 144, the Securities Act and the Exchange Act, (ii) a copy of the most recent annual or quarterly report of the Company and (iii) such other information as may be reasonably requested to permit the Rightsholders to sell such securities pursuant to Rule 144 without registration.

9. Assignment of Registration Rights. The rights under this Agreement shall not be assigned by any Rightsholder except in connection with the transfer of Registrable Securities by such Rightsholder to an affiliate of such Rightsholder, provided that (i) the Rightsholder agrees in writing with the transferee or assignee to assign such rights, and a copy of such agreement is furnished to the Company; (ii) the Company is furnished with written notice of

(a) the name and address of such transferee or assignee, and (b) the securities with respect to which such rights are being transferred or assigned; (iii) at or before the time the Company receives the written notice contemplated by clause (ii) of this sentence, the transferee or assignee agrees in writing with the Company to be bound by all of the obligations of an Rightsholder under this Agreement; and (iv) such transfer shall have been conducted in accordance with all applicable federal and state securities laws.

10. Amendment of Registration Rights.

(a) Any provision of this Agreement may be amended and the observance of any provision of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and Rightsholders who then hold at least a majority of the Registrable Securities. Any amendment or waiver effected in accordance with this Section 10 shall be binding upon each Rightsholder and

the Company. No such amendment shall be effective to the extent that it applies to less than all of the holders of the Registrable Securities. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

(b) In the event that the Company issues and sells Units as part of the Unit Offering after the date hereof, the Company shall have the right to amend this Agreement without the consent of the Rightsholders to include the purchasers of such Units in this Agreement as Purchasers and Rightsholders and any placement agent or selected dealer that receives warrants in connection with the sale of such Units as an Agent and Rightsholder and in connection therewith to modify the Schedule of Purchasers to include such Purchaser and the Schedule of Agents to include such Agent.

11. Miscellaneous.

(a) A Person is deemed to be a holder of Registrable Securities whenever such Person owns or is deemed to own of record such Registrable Securities. If the Company receives conflicting instructions, notices or elections from two or more Persons with respect to the same Registrable Securities, the Company shall act upon the basis of instructions, notice or election received from the record owner of such Registrable Securities.

(b) Any notices, consents, waivers or other communications required or permitted to be given under the terms of this Agreement must be in writing and will be deemed to have been delivered: (i) upon receipt, when delivered personally; (ii) upon receipt, when sent by facsimile; or (iii) two (2) Business Days after deposit with a reputable overnight delivery service, in each case properly addressed to the party to receive the same. The addresses and facsimile numbers for such communications shall be:

If to the Company:

Hybridon, Inc.
345 Vassar Street
Cambridge, MA 02139-4818
Telephone: 617-679-5500
Facsimile: 617-679-5592
Attention: Chief Financial Officer

with a copy to:

Wilmer Cutler Pickering Hale and Dorr LLP
60 State Street
Boston, MA 02109
Telephone: 617-526-6000
Facsimile: 617-526-5000
Attention: David E. Redlick, Esq.

If to a Rightsholder, to its address and facsimile number set forth on the Schedule of Purchasers or on the Schedule of Agents, as the case may be,

or to such other address and/or facsimile number and/or to the attention of such other Person as the recipient party has specified by written notice given to each other party five (5) days prior to the effectiveness of such change.

Written confirmation of receipt (A) given by the recipient of such notice, consent, waiver or other communication, (B) mechanically or electronically generated by the sender's facsimile machine containing the time, date, recipient facsimile number and an image of the first page of such transmission, or (C) provided by a courier or overnight courier service shall be rebuttable evidence of personal service, receipt by facsimile or receipt from a reputable overnight delivery service in accordance with clause (i), (ii) or (iii) above, respectively.

(c) Failure of any party to exercise any right or remedy under this Agreement or otherwise, or delay by a party in exercising such right or remedy, shall not operate as a waiver thereof.

(d) All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be governed by the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of Delaware or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of Delaware.

(e) This Agreement and the documents referenced herein constitute the entire agreement among the parties hereto with respect to the subject matter hereof and thereof. There are no restrictions, promises, warranties or undertakings, other than those set forth or referred to herein and therein. This Agreement and the documents referenced herein supersede all prior agreements and understandings among the parties hereto with respect to the subject matter hereof.

(f) Subject to the requirements of Section 9 of this Agreement, this Agreement shall inure to the benefit of and be binding upon the permitted successors and assigns of each of the parties hereto.

(g) The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(h) This Agreement may be executed in identical counterparts, each of which shall be deemed an original but all of which shall constitute one and the same agreement. This Agreement, once executed by a party, may be delivered to the other parties hereto by facsimile transmission of a copy of this Agreement bearing the signature of the party so delivering this Agreement.

(i) Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the

intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(j) All consents and other determinations required to be made by the Rightsholders pursuant to this Agreement shall be made, unless otherwise specified in this Agreement, by Rightsholders holding at least a majority of the Registrable Securities.

(k) The language used in this Agreement will be deemed to be

the language chosen by the parties to express their mutual intent and no rules of strict construction will be applied against any party.

(l) This Agreement is intended for the benefit of the parties hereto and their respective permitted successors and assigns, and is not for the benefit of, nor may any provision hereof be enforced by, any other Person.

IN WITNESS WHEREOF, the parties have caused this Registration Rights Agreement to be duly executed as of the day and year first above written.

COMPANY:

HYBRIDON, INC.

By: /s/ R. Andersen

Name: R.G. Andersen
Title: CFO

PURCHASERS:

Counterpart signature pages attached.

AGENTS:

Counterpart signature pages attached.

Exhibit A

Schedule of Purchasers

Name and Address	Registrable Securities

Exhibit B

Schedule of Agents

Name and Address	Registrable Securities

Exhibit 10.3

FORM OF WARRANT

THIS WARRANT AND THE WARRANT SHARES SHALL NOT BE SOLD OR TRANSFERRED EXCEPT (A) IN ACCORDANCE WITH THE PROVISIONS OF REGULATION S UNDER THE SECURITIES ACT OF 1933, (B) PURSUANT TO REGISTRATION UNDER THE SECURITIES ACT OF 1933 OR (C) PURSUANT TO AN AVAILABLE EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933. HEDGING TRANSACTIONS INVOLVING THIS WARRANT AND THE WARRANT SHARES MAY NOT BE CONDUCTED UNLESS IN COMPLIANCE WITH THE SECURITIES ACT OF 1933.

THIS WARRANT AND THE SHARES OF COMMON STOCK ISSUED UPON ITS EXERCISE ARE SUBJECT TO THE RESTRICTIONS ON TRANSFER SET FORTH IN SECTION 5 OF THIS WARRANT

Warrant No. ____ Number of Shares: _____ (subject to adjustment)

Date of Issuance: August 27, 2004

HYBRIDON, INC.

Common Stock Purchase Warrant

(Void after August 27, 2009)

Hybridon, Inc., a Delaware corporation (the "Company"), for value received, hereby certifies that _____, or his or its registered assigns (the "Registered Holder"), is entitled, subject to the terms and conditions set forth below, to purchase from the Company, at any time, or from time to time, on or after August 27, 2004 and on or before 5:00 p.m. (Boston time) on August 27, 2009, _____ shares of Common Stock, $0.001 par value per share, of the Company ("Common Stock"), at a purchase price of $0.67 per share. The shares purchasable upon exercise of this Warrant, and the purchase price per share, each as adjusted from time to time pursuant to the provisions of this Warrant, are hereinafter referred to as the "Warrant Shares" and the "Purchase Price," respectively.

1. Exercise.

(a) Exercise Process. The Registered Holder may, at its option, elect to exercise this Warrant, in whole or in part and at any time, or from time to time, by surrendering this Warrant, with the purchase form appended hereto as Exhibit I duly executed by or on behalf of the Registered Holder, at the principal office of the Company, or at such other office or agency as the Company may designate, accompanied by payment in full, in lawful money of the United States, of the Purchase Price payable in respect of the number of Warrant Shares purchased upon such exercise.

(b) Exercise Date. Each exercise of this Warrant shall be deemed to have been effected immediately prior to the close of business on the day on which this Warrant shall have been surrendered to the Company as provided in subsection 1(a) above (the "Exercise

Date"). At such time, the person or persons in whose name or names any certificates for Warrant Shares shall be issuable upon such exercise as provided in subsection 1(c) below shall be deemed to have become the holder or holders of record of the Warrant Shares represented by such certificates.

(c) ISSUANCE OF COMMON STOCK CERTIFICATES. As soon as practicable after the exercise of this Warrant in whole or in part, and in any event within 10 days thereafter, the Company, at its expense, will cause to be issued in the name of, and delivered to, the Registered Holder, or as the Registered Holder (upon payment by the Registered Holder of any applicable transfer or withholding taxes) may direct:

(i) a certificate or certificates for the number

of full Warrant Shares to which the Registered Holder shall be entitled upon such exercise plus, in lieu of any fractional share to which the Registered Holder would otherwise be entitled, cash in an amount determined pursuant to Section 3 hereof; and

(ii) in case such exercise is in part only, a new warrant or warrants (dated the date hereof) of like tenor, calling in the aggregate on the face or faces thereof for the number of Warrant Shares equal (without giving effect to any adjustment therein) to the number of such shares called for on the face of this Warrant minus the number of Warrant Shares for which this Warrant was so exercised.

(d) EXERCISE BY NON-U.S. PERSON. It shall be a condition to the exercise of this Warrant by a Registered Holder that is not a U.S. Person (as defined under the Securities Act of 1933, as amended (the "Securities Act")) that such Registered Holder certify in writing to the Company that it is not a U.S. Person and that this Warrant is not being exercised on behalf of a U.S. Person.

2. Adjustments.

(a) ADJUSTMENT FOR STOCK SPLITS AND COMBINATIONS. If the Company shall at any time, or from time to time after the date on which this Warrant was first issued (or, if this Warrant was issued upon partial exercise of, or in replacement of, another warrant of like tenor, then the date on which such original warrant was first issued) (either such date being referred to as the "Original Issue Date") effect a subdivision of the outstanding Common Stock, the Purchase Price then in effect immediately before that subdivision shall be proportionately decreased. If the Company shall at any time, or from time to time, after the Original Issue Date combine the outstanding shares of Common Stock, the Purchase Price then in effect immediately before the combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) ADJUSTMENT FOR CERTAIN DIVIDENDS AND DISTRIBUTIONS. In the event the Company at any time, or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in additional shares of Common Stock, then and in each such event the Purchase Price then in effect immediately before such event shall be decreased as

of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the Purchase Price then in effect by a fraction:

(i) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(ii) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution;

provided, however, that if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the Purchase Price shall be recomputed accordingly as of the close of business on such record date and thereafter the Purchase Price shall be adjusted pursuant to this paragraph as of the time of actual payment of such dividends or distributions.

(c) ADJUSTMENT IN NUMBER OF WARRANT SHARES. When any adjustment is required to be made in the Purchase Price pursuant to subsections 2(a) or 2(b) above, the number of Warrant Shares purchasable upon the exercise of this Warrant shall be changed to the number determined by dividing (i) an amount equal to the number of shares issuable upon the exercise of this Warrant immediately prior to such adjustment, multiplied by the Purchase Price in effect

immediately prior to such adjustment, by (ii) the Purchase Price in effect immediately after such adjustment.

(d) ADJUSTMENTS FOR OTHER DIVIDENDS AND DISTRIBUTIONS. In the event the Company at any time, or from time to time after the Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Company (other than shares of Common Stock) or in cash or other property (other than regular cash dividends paid out of earnings or earned surplus, determined in accordance with generally accepted accounting principles), then and in each such event provision shall be made so that the Registered Holder shall receive upon exercise hereof, in addition to the number of shares of Common Stock issuable hereunder, the kind and amount of securities of the Company, cash or other property which the Registered Holder would have been entitled to receive had this Warrant been exercised on the date of such event and had the Registered Holder thereafter, during the period from the date of such event to and including the Exercise Date, retained any such securities receivable during such period, giving application to all adjustments called for during such period under this Section 2 with respect to the rights of the Registered Holder.

(e) ADJUSTMENT FOR REORGANIZATION. If there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Company in which the Common Stock is converted into or exchanged for securities, cash or other property (other than a transaction covered by subsections 2(a), 2(b) or 2(d)) (collectively, a "Reorganization"), then, following such Reorganization, the Registered Holder shall receive upon exercise hereof the kind

and amount of securities, cash or other property which the Registered Holder would have been entitled to receive pursuant to such Reorganization if such exercise had taken place immediately prior to such Reorganization. In any such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Company (the "Board")) shall be made in the application of the provisions set forth herein with respect to the rights and interests thereafter of the Registered Holder, to the end that the provisions set forth in this Section 2 (including provisions with respect to changes in and other adjustments of the Purchase Price) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities, cash or other property thereafter deliverable upon the exercise of this Warrant.

(f) CERTIFICATE AS TO ADJUSTMENTS. Upon the occurrence of each adjustment or readjustment of the Purchase Price pursuant to this Section 2, the Company at its expense shall, as promptly as reasonably practicable but in any event not later than 30 days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to the Registered Holder a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property for which this Warrant shall be exercisable and the Purchase Price) and showing in detail the facts upon which such adjustment or readjustment is based. The Company shall, as promptly as reasonably practicable after the written request at any time of the Registered Holder (but in any event not later than 30 days thereafter), furnish or cause to be furnished to the Registered Holder a certificate setting forth (i) the Purchase Price then in effect and (ii) the number of shares of Common Stock and the amount, if any, of other securities, cash or property which then would be received upon the exercise of this Warrant.

3. FRACTIONAL SHARES. The Company shall not be required upon the exercise of this Warrant to issue any fractional shares, but shall pay the value thereof to the Registered Holder in cash on the basis of the Fair Market Value per share of Common Stock. The "Fair Market Value" per share of Common Stock shall be determined as follows:

(a) If the Common Stock is listed on a national securities exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the OTC Bulletin Board or another nationally recognized trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the average of the high and low reported sale prices per share of Common Stock thereon for the five consecutive trading day period immediately preceding the Exercise Date; provided that if the Common Stock is not so listed during

such period, the Fair Market Value per share of Common Stock shall be determined pursuant to clause 3(b).

(b) If the Common Stock is not listed on a national securities exchange, the Nasdaq National Market, the Nasdaq SmallCap Market, the OTC Bulletin Board or another nationally recognized trading system as of the Exercise Date, the Fair Market Value per share of Common Stock shall be deemed to be the amount most recently determined by the Board or an authorized committee of the Board to represent the fair market value per share of the Common Stock (including without limitation a determination for purposes of granting Common Stock options or issuing Common Stock under any plan, agreement or arrangement with employees of the Company).

4. Redemption of Warrants.

(a) Subject to the terms of this Section 4, the Company shall have the right to redeem this Warrant for a redemption price (the "Redemption Price") equal to the result obtained by multiplying (i) $0.01 by (ii) the number of Warrant Shares that the Registered Holder is entitled to purchase upon exercise of this Warrant immediately prior to the termination of this Warrant under Section 4(d) below (such Redemption Price being subject to adjustment for stock splits, stock dividends, combinations, recapitalizations, reclassifications, and similar transactions affecting the Common Stock).

(b) The Company shall exercise this redemption right by providing at least 30 days' prior written notice to the Registered Holder of such redemption (the "Redemption Notice"). Such Redemption Notice shall be provided to the Registered Holder in accordance with Section 10 of this Warrant. The Redemption Notice shall specify the time, manner and place of redemption, including without limitation the date on which this Warrant shall be redeemed (the "Redemption Date") and the Redemption Price payable to the Registered Holder (assuming that this Warrant is not exercised on or prior to the Redemption Date).

(c) Notwithstanding the foregoing, the Company may not redeem this Warrant or provide the Redemption Notice to the Registered Holder unless the closing sales price of the Common Stock on each day of a 20 consecutive trading day period ending within 30 days prior to the date the Company provides the Redemption Notice to the Registered Holder is greater than or equal to $1.34 (subject to adjustment for stock splits, stock dividends, combinations, recapitalizations, reclassifications, and similar transactions affecting the Common Stock); provided, however, that the Company may not redeem this Warrant or provide the Redemption Notice on or before February 27, 2005.

(d) This Warrant shall cease to be exercisable and shall be terminated and of no further force or effect effective at 5:00 p.m. (Boston Time) on the Redemption Date. If the Registered Holder does not exercise this Warrant on or prior to the Redemption Date, the Registered Holder shall surrender this Warrant to the Company on the Redemption Date for cancellation. From and after the Redemption Date, the Registered Holder's sole right hereunder shall be to receive the Redemption Price, without interest, upon presentation and surrender of this Warrant for cancellation.

5. Transfers, etc.

(a) Neither this Warrant nor the Warrant Shares shall be sold or transferred unless either (i) they first shall have been registered under the Securities Act, or (ii) the Company first shall have been furnished with an opinion of legal counsel, reasonably satisfactory to the Company, to the effect that such sale or transfer is exempt from the registration requirements of the Securities Act. Notwithstanding the foregoing, no registration or opinion of counsel shall be required for a transfer made in accordance with Rule 144 under the Securities Act.

(b) Each certificate representing Warrant Shares shall bear a legend substantially in the following form:

> "The securities represented by this certificate have not been registered under the Securities Act of 1933, as amended, and may not be offered,

sold or otherwise transferred, pledged or hypothecated unless and until such securities are registered under such Act or an opinion of counsel satisfactory to the Company is obtained to the effect that such registration is not required."

The foregoing legend shall be removed from the certificates representing any Warrant Shares, at the request of the holder thereof, at such time as they become eligible for resale pursuant to Rule 144(k) under the Securities Act.

(c) In the case of a Registered Holder that is a non-U.S. Person:

(i) THIS WARRANT AND THE WARRANT SHARES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND THIS WARRANT MAY NOT BE EXERCISED BY OR ON BEHALF OF A U.S. PERSON UNLESS REGISTERED UNDER THE SECURITIES ACT OF 1933 OR AN EXEMPTION FROM SUCH REGISTRATION IS AVAILABLE.

(ii) This Warrant and the Warrant Shares shall not be sold or transferred except (A) in accordance with the provisions of Regulation S under the Securities Act, (B) pursuant to registration under the Securities Act or (C) pursuant to an available exemption from registration under the Securities Act. Hedging transactions involving this Warrant and the Warrant Shares may not be conducted unless in compliance with the Securities Act.

(iii) Notwithstanding Section 5(b) to the contrary, each certificate representing Warrant Shares issued to a Registered Holder that is a non-U.S. Person shall bear a legend substantially in the following form:

"These shares have not been registered under the Securities Act of 1933. They may not be offered or transferred by sale, assignment, pledge or otherwise unless (i) a registration statement for the shares under the Securities Act of 1933 is in effect or (ii) the corporation has received an opinion of counsel, which opinion is satisfactory to the corporation, to the effect that such registration is not required under the Securities Act of 1933 or (iii) such offer or transfer is made in accordance with the provisions of Regulation S under the Securities Act of 1933. Hedging transactions involving these shares may not be conducted unless in compliance with the Securities Act of 1933."

(d) The Company will maintain a register containing the name and address of the Registered Holder of this Warrant. The Registered Holder may change its address as shown on the warrant register by written notice to the Company requesting such change.

(e) Notwithstanding Section 5(a) above, a Registered Holder which is an entity may transfer this Warrant, in whole, to a wholly owned subsidiary of such entity, a Registered Holder which is a partnership may transfer this Warrant, in whole, to a partner of such partnership or a retired partner of such partnership or to the estate of any such partner or retired partner, a Registered Holder which is a limited liability company may transfer this Warrant, in whole, to a member of such limited liability company or a retired member or to the

estate of any such member or retired member and a Registered Holder who is an individual may transfer this Warrant, in whole, to such individual's spouse, children, parents, siblings, grandchildren or any trust established exclusively for the benefit of one or more of the foregoing individuals, or by will or the laws of descent and distribution (in each case, a "Permitted Transferee"). This Warrant and all rights hereunder are transferable to a Permitted Transferee, in whole, upon surrender of this Warrant with a properly executed assignment (in the form of Exhibit II hereto) at the principal office of the Company (or, if another office or agency has been designated by the Company for such purpose,

then at such other office or agency).

6. NO IMPAIRMENT. The Company will not, by amendment of its charter or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such action as may be necessary or appropriate in order to protect the rights of the Registered Holder against impairment.

7. Notices of Record Date, etc. In the event:

(a) the Company shall take a record of the holders of its Common Stock (or other stock or securities at the time deliverable upon the exercise of this Warrant) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of stock of any class or any other securities, or to receive any other right; or

(b) of any capital reorganization of the Company, any reclassification of the Common Stock of the Company, any consolidation or merger of the Company with or into another corporation (other than a consolidation or merger in which the Company is the surviving entity and its Common Stock is not converted into or exchanged for any other securities or property), or any transfer of all or substantially all of the assets of the Company; or

(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Company, then, and in each such case, the Company will send or cause to be sent to the Registered Holder a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other stock or securities at the time deliverable upon the exercise of this Warrant) shall be entitled to exchange their shares of Common Stock (or such other stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

8. RESERVATION OF STOCK. The Company will at all times reserve and keep available, solely for issuance and delivery upon the exercise of this Warrant, such number of Warrant

Shares and other securities, cash and/or property, as from time to time shall be issuable upon the exercise of this Warrant.

9. Exchange or Replacement of Warrants.

(a) Upon the surrender by the Registered Holder, properly endorsed, to the Company at the principal office of the Company, the Company will, subject to the provisions of Section 5 hereof, issue and deliver to or upon the order of the Registered Holder, at the Company's expense, a new Warrant or Warrants of like tenor, in the name of the Registered Holder or as the Registered Holder (upon payment by the Registered Holder of any applicable transfer taxes) may direct, calling in the aggregate on the face or faces thereof for the number of shares of Common Stock (or other securities, cash and/or property) then issuable upon exercise of this Warrant.

(b) Upon receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and (in the case of loss, theft or destruction) upon delivery of an indemnity agreement (with surety if reasonably required) in an amount reasonably satisfactory to the Company, or (in the case of mutilation) upon surrender and cancellation of this Warrant, the Company will issue, in lieu thereof, a new Warrant of like tenor.

10. NOTICES. All notices and other communications from the Company to the Registered Holder in connection herewith shall be mailed by certified or registered mail, postage prepaid, or sent via a reputable overnight courier service to the address last furnished to the Company in writing by the Registered Holder. All notices and other communications from the Registered Holder to the Company in connection herewith shall be mailed by certified or registered mail, postage prepaid, or sent via a reputable overnight courier service to the Company at its principal office set forth below. If the Company should at any time change the location of its principal office to a place other than as set forth below, it shall give prompt written notice to the Registered Holder and thereafter all references in this Warrant to the location of its principal office at the particular time shall be as so specified in such notice. All such notices and communications shall be deemed delivered (i) two business days after being sent by certified or registered mail, return receipt requested, postage prepaid, or (ii) two business days after being sent via a reputable overnight courier service.

11. NO RIGHTS AS STOCKHOLDER. Until the exercise of this Warrant, the Registered Holder shall not have or exercise any rights by virtue hereof as a stockholder of the Company. Notwithstanding the foregoing, in the event (i) the Company effects a split of the Common Stock by means of a stock dividend and the Purchase Price of and the number of Warrant Shares are adjusted as of the date of the distribution of the dividend (rather than as of the record date for such dividend), and (ii) the Registered Holder exercises this Warrant between the record date and the distribution date for such stock dividend, the Registered Holder shall be entitled to receive, on the distribution date, the stock dividend with respect to the shares of Common Stock acquired upon such exercise, notwithstanding the fact that such shares were not outstanding as of the close of business on the record date for such stock dividend.

12. AMENDMENT OR WAIVER. Any term of this Warrant may be amended or waived only by an instrument in writing signed by the party against which enforcement of the change or

waiver is sought. No waivers of any term, condition or provision of this Warrant, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

13. SECTION HEADINGS. The section headings in this Warrant are for the convenience of the parties and in no way alter, modify, amend, limit or restrict the contractual obligations of the parties.

14. GOVERNING LAW. This Warrant will be governed by and construed in accordance with the internal laws of the State of Delaware (without reference to the conflicts of law provisions thereof).

15. FACSIMILE SIGNATURES. This Warrant may be executed by facsimile signature.

16. ACCEPTANCE BY REGISTERED HOLDER. By acquiring and accepting this Warrant, the Registered Holder shall be deemed to have agreed and accepted the terms and conditions of this Warrant.

EXECUTED as of the Date of Issuance indicated above.

HYBRIDON, INC.

By:_____

Title:_____

EXHIBIT I

PURCHASE FORM

To: Hybridon, Inc. Dated:_____

The undersigned, pursuant to the provisions set forth in the attached Warrant (No. _____), hereby elects to purchase _____ shares of the Common Stock of Hybridon, Inc. covered by such Warrant.

The undersigned herewith makes a payment of $_____ representing the full purchase price for such shares at the price per share provided for in such Warrant.

Signature: _____

Address: _____

_____

EXHIBIT II

ASSIGNMENT FORM

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers all of the rights of the undersigned under the attached Warrant (No. ____) with respect to all of the shares of Common Stock of Hybridon, Inc. covered thereby set forth below, unto:

Name of Assignee	Address	No. of Shares

Dated:_____ Signature:_____

Signature Guaranteed:

By: _____

The signature should be guaranteed by an eligible guarantor institution (banks, stockbrokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Rule 17Ad-15 under the Securities Exchange Act of 1934.

Exhibit 10.4

AMENDMENT TO EMPLOYMENT AGREEMENT

This Amendment to Employment Agreement (this "Amendment"), made as of the 20th day of August, 2004, is entered into by Hybridon, Inc., a Delaware corporation with its principal place of business at 345 Vassar Street, Cambridge, MA 02139 (the "Company"), and Mr. Stephen R. Seiler residing at 38 Devon Road, Newton, MA 02459 ("Executive").

WHEREAS, the Company and Executive are parties to an Employment Agreement dated as of July 25, 2001 (the "Employment Agreement"); and

WHEREAS, the Company and Executive desire to provide Executive with specified rights to severance benefits if Executive or the Company give notice of the termination of the Executive's employment during the period commencing on the date hereof and ending on the date 90 days after the date hereof (the "Transition Period");

NOW THEREFORE, in consideration of these premises, the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties hereto agree as follows:

1. Defined Terms. The capitalized terms used herein but not otherwise defined shall have the meanings assigned to them in the Employment Agreement.

2. Voluntary Resignation. The Employment Agreement is hereby amended by inserting the following clause immediately after clause (v) of Section 7(a) of the Employment Agreement and renumbering clauses (vi) and (vii) of Section 7(a) and all references to such sections of the Employment Agreement, as amended by this Amendment, to reflect the following clause:

> "(vi) Termination by Executive Other than for Good Reason. Executive may terminate his employment under this Agreement for any reason at any time upon thirty (30) days' prior written notice to the Company. If Executive's employment hereunder is terminated by Executive under this clause (vi), 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 Executive's employment with the Company."

3. Severance Benefits in the Event of Voluntary Resignation. In the event that, during the Transition Period, Executive gives notice of termination of his employment under the Employment Agreement pursuant to Section 7(a)(vi) of the Employment Agreement, as amended by this Amendment, then, notwithstanding the provisions of Section 7(a)(vi) to the contrary, the Company shall provide Executive with all of the benefits to which Executive would have been entitled under Section 7(a)(v) of the Employment Agreement if he had terminated his employment and the Employment Agreement for Good Reason pursuant to Section 7(a)(v) of the Employment Agreement, including but not limited to benefits with respect to Executive's Base Salary, Accrued Obligations and stock options.

4. Cause. The Company and Executive agree that, during the Transition Period, the term "Cause," as defined in Appendix A to the Employment Agreement, shall have the meaning set forth below in lieu of the meaning currently set forth on Appendix A.

> "Cause. "Cause" shall mean Executive's (i) material breach of any material term of this Agreement, (ii) plea of guilty or nolo contendre to, or conviction of, the commission of a felony offense or (iii) repeated unexplained or unjustified absence, or refusals to carry out the lawful directions of the Board, provided that any action or inaction described by (i)

or (iii) above shall not be the basis of a termination of Executive's employment with the Company for "Cause" unless the Company provided 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."

5. Miscellaneous

(a) The captions of the sections of this Amendment are for convenience of reference only and in no way define, limit, or affect the scope or substance of any section of this Amendment.

(b) This Amendment shall be construed, interpreted, and enforced in accordance with the laws of the Commonwealth of Massachusetts, without giving effect to conflict of laws provisions.

(c) This Amendment, together with the Employment Agreement, constitute the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter hereof.

(d) In all respects other than as specifically provided in this Amendment, the Employment Agreement is hereby ratified and affirmed.

In witness whereof, the parties hereto have executed this Amendment as of the day and year set forth above.

HYBRIDON, INC.

By: /s/ James B. Wyngaarden

Title: Chairman of the Board of Directors

EXECUTIVE

/s/ Stephen R. Seiler

Stephen R. Seiler

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO EXCHANGE ACT RULES 13a-14 AND 15d-14, AS ADOPTED PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Sudhir Agrawal, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hybridon, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Not Applicable]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ SUDHIR AGRAWAL

Sudhir Agrawal
Chief Executive Officer

Dated: November 10, 2004

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO EXCHANGE ACT RULES 13a-14 AND 15d-14, AS ADOPTED PURSUANT TO SECTION 302 OF SARBANES-OXLEY ACT OF 2002

I, Robert G. Andersen certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Hybridon, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) [Not Applicable]

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ ROBERT G. ANDERSEN

Robert G. Andersen
Chief Financial Officer

Dated: November 10, 2004

EXHIBIT 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hybridon, Inc. (the "Company") for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Sudhir Agrawal, Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to Hybridon, Inc. and will be retained by Hybridon, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ SUDHIR AGRAWAL

Sudhir Agrawal
Chief Executive Officer

Date: November 10, 2004

EXHIBIT 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Hybridon, Inc. (the "Company") for the period ended September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Robert G. Andersen, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement has been provided to Hybridon, Inc. and will be retained by Hybridon, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

/s/ ROBERT G. ANDERSEN

Robert G. Andersen
Chief Financial Officer

Date: November 10, 2004