

HYBRIDON INC
Form PRE 14A
April 30, 2004

SCHEDULE 14A
(Rule 14a-101)
INFORMATION REQUIRED IN PROXY STATEMENT
SCHEDULE 14A INFORMATION

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12
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HYBRIDON, INC.

(Name of Registrant as Specified In Its Charter)

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 - 1) Amount Previously Paid:
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 - 3) Filing Party:

4) Date Filed:

HYBRIDON, INC.

345 Vassar Street
Cambridge, Massachusetts 02139

NOTICE OF 2004 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 24, 2004

The 2004 Annual Meeting of the Stockholders of Hybridon, Inc. (the Company) will be held on Thursday, June 24, 2004 at 10:00 a.m., local time, at the American Stock Exchange, 86 Trinity Place, New York, New York (the Annual Meeting), for the purpose of considering and voting upon the following matters:

1. To elect three Class III Directors to the Board of Directors for the ensuing three years.
2. To approve an amendment to the Company's Restated Certificate of Incorporation increasing the number of authorized shares of the Company's Common Stock from 150,000,000 to 185,000,000.
3. To transact such other business as may properly come before the Annual Meeting or any adjournment thereof.

The Board of Directors presently has no knowledge of any other business to be transacted at the Annual Meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on Monday, April 26, 2004 as the record date for the determination of stockholders entitled to receive notice of and to vote at the Annual Meeting or any adjournment thereof.

By Order of the Board of Directors,

ROBERT G. ANDERSEN, *Secretary*

Cambridge, Massachusetts
, 2004

WHETHER OR NOT YOU PLAN TO ATTEND THE MEETING, PLEASE PROMPTLY COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE IN ORDER TO ASSURE REPRESENTATION OF YOUR SHARES. NO POSTAGE NEED BE AFFIXED IF THE PROXY IS MAILED IN THE UNITED STATES.

HYBRIDON, INC.

**345 Vassar Street
Cambridge, Massachusetts 02139**

PROXY STATEMENT

FOR ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 24, 2004

This Proxy Statement and the enclosed form of proxy are being furnished by the Board of Directors of Hybridon, Inc. (Hybridon or the Company) in connection with the Company s 2004 Annual Meeting of Stockholders (the Annual Meeting) to be held on Thursday, June 24, 2004 at 10:00 a.m., local time, at the American Stock Exchange, 86 Trinity Place, New York, New York or any adjournment or postponement of the Annual Meeting.

All shares represented by proxy will be voted in accordance with the instructions of the stockholder. If no instructions are provided, proxies will be voted for the director nominees and in favor of the matter set forth in the accompanying Notice of Annual Meeting. A registered stockholder may revoke a proxy at any time before its exercise by delivery of a written revocation or a subsequently dated proxy to the Secretary of the Company or by voting in person at the Annual Meeting. Attendance at the Annual Meeting will not itself be deemed to revoke a proxy unless the stockholder is registered on the books of the Company and gives affirmative notice at the Annual Meeting that the stockholder intends to revoke the proxy and vote in person.

The Notice of the Annual Meeting, this Proxy Statement, the enclosed proxy and the Company s 2003 Annual Report to Stockholders, which contains the Company s Annual Report on Form 10-K for the year ended December 31, 2003 as filed with the Securities and Exchange Commission, without exhibits, are being mailed to stockholders on or about , 2004. Exhibits to the Company s Annual Report on Form 10-K will be provided upon written request and payment of an appropriate processing fee. Please address all such requests to the Company, Attention: Investor Relations, 345 Vassar Street, Cambridge, Massachusetts 02139.

Voting Securities and Votes Required

On April 26, 2004, the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting, there were outstanding and entitled to vote 101,948,669 shares of the Company's common stock, \$0.001 par value per share (the Common Stock). Each share of Common Stock entitles the holder to one vote on each of the matters to be considered at the Annual Meeting.

The presence, in person or by proxy, of the holders of a majority of the outstanding shares of Common Stock entitled to vote at the Annual Meeting shall be necessary to constitute a quorum for the transaction of business at the Annual Meeting. Shares of Common Stock present in person or represented by executed proxies received by the Company, including shares that are held in street name by brokers or nominees who indicate on their proxies that they do not have discretionary authority to vote such shares as to one or more of the matters to be voted upon (broker non-votes), and shares that abstain or do not vote with respect to one or more of the matters to be voted upon, will be counted for purposes of establishing a quorum at the Annual Meeting.

The affirmative vote of the holders of a plurality of the votes cast by stockholders entitled to vote at the Annual Meeting is required for the election of directors. The affirmative vote of the holders of a majority of the Company's outstanding Common Stock entitled to vote at the meeting is required for the approval of the amendment to the Company's Restated Certificate of Incorporation to increase the number of authorized shares of Common Stock from 150,000,000 to 185,000,000.

Shares will not be counted as votes in favor of a matter, and will also not be counted as votes cast or shares voting on such matter, if the holder of the shares either withholds the authority to vote for a particular director nominee or nominees or abstains from voting on a particular matter or if the shares constitute broker non-votes. Accordingly, withheld shares, abstentions and broker non-votes will have no effect on the election of directors, but will have the same effect as a vote against the proposed amendment to the Company's Restated Certificate of Incorporation.

Security Ownership of Certain Beneficial Owners and Management

On April 26, 2004, Hybridon had 101,948,669 shares of Common Stock issued and outstanding. The following table sets forth certain information about the beneficial ownership of Common Stock, as of April 26, 2004, by (i) each person known by the Company to own beneficially more than 5% of the outstanding shares of Common Stock, (ii) each director of the Company, (iii) each executive officer of the Company named in the Summary Compensation Table set forth under the caption Executive Compensation below and (iv) all directors and executive officers as a group.

Name of Beneficial Owner	Number of Shares Beneficial Ownership	Percentage of Common Stock Outstanding(1)
5% Stockholders		
Youssef El Zein(2) c/o Optima Life Sciences Limited St. James's Chambers 64A Athol Street Isle of Man IM1 1JE	9,598,789	9.2%
Optima Life Sciences Limited(3) St. James's Chambers 64A Athol Street Isle of Man IM1 1JE	7,150,495	6.9%
Great Point Partners LLC(4) 2 Pickwick Plaza Suite 450 Greenwich, CT 06830	6,694,300	6.6%

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Name of Beneficial Owner	Number of Shares Beneficial Ownership	Percentage of Common Stock Outstanding(1)
Jeffrey R. Jay, M.D.(5) 2 Pickwick Plaza Suite 450 Greenwich, CT 06830	6,694,300	6.6%
Other Directors and Executive Officers		
Sudhir Agrawal, D. Phil(6)	5,248,660	4.9%
Stephen R. Seiler(7)	3,082,700	2.9%
Robert G. Andersen(8)	1,157,026	1.1%
Paul C. Zamecnik, M.D.(9)	993,843	1.0%
James B. Wyngaarden, M.D.(10)	734,253	*
R. Russell Martin, M.D.(11)	486,955	*
C. Keith Hartley(12)	209,518	*
William S. Reardon(13)	33,910	*
All directors and executive officers as a group (9 persons)(14)	21,545,654	18.9%

* Less than 1%

- (1) The number of shares beneficially owned by each person is determined under rules of the SEC, and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the stockholder has the sole or shared voting power or investment power and also any shares that the stockholder has the right to acquire within 60 days of April 26, 2004 through the conversion of any convertible security or the exercise of any stock option, warrant or other right. Unless otherwise indicated, each stockholder has sole investment and voting power (or shares such power with his spouse) with respect to the shares set forth in the table. The inclusion of any shares deemed beneficially owned does not constitute an admission of beneficial ownership of such shares.
- (2) Includes 32,750 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004. Also includes (a) 1,650,114 shares of Common Stock issuable upon the exercise of warrants held by Optima Life Sciences Ltd. (Optima), (b) 5,500,381 shares of Common Stock held by Optima and (c) 587,709 shares of Common Stock issuable upon the exercise of warrants held by Pillar Investment Ltd. (Pillar). Mr. El Zein is a director of Pillar and a director of Optima. Pillar is the manager and investment advisor of Optima and holds all of the voting shares of Optima. Because of his relationship with Pillar and Optima, Mr. El Zein may be deemed to beneficially own all of the shares of Common Stock that Pillar and Optima beneficially own. Mr. El Zein is a director of the Company.
- (3) Includes 1,650,114 shares of Common Stock issuable upon the exercise of warrants held by Optima.
- (4) Consists of 4,552,100 shares of Common Stock held by Biomedical Value Fund, LP and 2,142,200 shares of Common Stock held by Biomedical Offshore Value Fund Ltd.
- (5) Dr. Jay has voting and investment power with respect to the shares held by Biomedical Value Fund, LP and Biomedical Offshore Value Fund Ltd. as set forth in Note (4) above.
- (6) Includes 5,116,500 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004.
- (7) Includes 2,572,500 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004, and 200 shares of Common Stock held by Mr. Seiler's children.
- (8) Includes 1,100,455 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004.

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- (9) Includes 204,950 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004, and 20,548 shares of Common Stock issuable upon the exercise of warrants.
- (10) Includes 533,750 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004, and 10,274 shares of Common Stock issuable upon the exercise of warrants.
- (11) Includes 388,205 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004.
- (12) Includes 38,750 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004.
- (13) Includes 28,750 shares of Common Stock subject to outstanding stock options, which are exercisable within the 60-day period following April 26, 2004.
- (14) Includes 10,016,610 shares of Common Stock subject to outstanding stock options held by the directors and executive officers, which are exercisable within the 60-day period following April 26, 2004, and 30,822 shares of Common Stock issuable upon the exercise of warrants held by directors and officers. Also includes securities owned by Optima and Pillar as set forth in Note (2) above.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company's Board of Directors is divided into three classes and currently consists of two Class I Directors (C. Keith Hartley and William S. Reardon), two Class II Directors (Dr. James B. Wyngaarden and Dr. Paul C. Zamecnik) and three Class III Directors (Dr. Sudhir Agrawal, Youssef El Zein and Stephen R. Seiler). The terms of the three classes are staggered so that one class is elected each year. Members of each class are elected for three-year terms.

The Board of Directors has nominated Dr. Agrawal and Messrs. El Zein and Seiler for election as Class III Directors. The persons named in the enclosed proxy card will vote to elect Dr. Agrawal and Messrs. El Zein and Seiler as Class III Directors, unless the proxy card is marked otherwise. The proxy card may not be voted for more than three directors. Each Class III Director will be elected to hold office until the 2007 Annual Meeting of Stockholders and until his successor is elected and qualified. Each of the nominees is presently a director, and each has indicated a willingness to serve as director, if elected. If a nominee becomes unable or unwilling to serve, however, the persons acting under the proxy may vote for substitute nominees selected by the Board of Directors. **The Board of Directors recommends that the stockholders vote for the election of Dr. Agrawal and Messrs. El Zein and Seiler as Class III Directors.**

Set forth below are the names of each member of the board of directors, including each of the nominees, the year in which each first became a director, their ages as of March 31, 2004, their positions and offices with the Company, their principal occupations and business experience during the past five years and the names of other public companies for which they serve as a director.

Nominees for Class III Directors Terms to Expire in 2007

Dr. Sudhir Agrawal

Director since 1993

Dr. Sudhir Agrawal, age 50, joined the Company in 1990 and has been the Company's Chief Scientific Officer since January 1993, Senior Vice President of Discovery since March 1994 and President since February 2000. Prior to his appointment as Chief Scientific Officer, Dr. Agrawal served as Principal Research Scientist from February 1990 to January 1993 and as Vice President of Discovery from December 1991 to January 1993. He also served as Acting Chief Executive Officer from February 2000 until September 2001. Prior to joining the Company, Dr. Agrawal served as a Foundation Scholar at the Worcester Foundation for Biomedical Research from 1987 to 1991 and served as a Research Associate at Medical Research Council's Laboratory of Molecular Biology in Cambridge, England from 1985 to 1986, studying DNA chemistry and synthetic oligonucleotides. He is a member of the editorial board of *Antisense Research & Development Journal*, *Trends in Molecular Medicine*, *Investigational Drug Journal* and *Current Cancer Drug Targets*, and is associate editor of *Molecular Biotechnology*.

Youssef El Zein

Director since 1992

Youssef El Zein, age 55, has been Vice Chairman of the Company's Board of Directors since February 1997. Mr. El Zein has been Chairman and Chief Executive Officer of Pillar S.A., a private investment and management consulting firm, since 1991 and has served as a member of the Board of Directors of WorldCare Group, a telemedicine and insurance company, since 1993. Mr. El Zein is also Managing Director of Optima Life Sciences Ltd., a biotechnology investment fund.

Stephen R. Seiler

Director since 2001

Stephen R. Seiler, age 47, has been Chief Executive Officer of the Company since September 2001. Mr. Seiler was Executive Vice President, Planning, Investment & Development at Elan Corporation, plc from 1995 to June 2001. He worked as an investment banker at Paribas Capital Markets in both London and New York from 1991 to 1995 where he was founder and head of Paribas's pharmaceutical investment banking group.

Continuing Members of the Board of Directors

Class I Directors Terms to Expire in 2005

C. Keith Hartley

Director since 2000

C. Keith Hartley, age 61, has been President of Hartley Capital Advisors, a financial consulting firm, since June 2000. Mr. Hartley was Managing Partner of Forum Capital Markets LLC, an investment banking firm, from August 1995 to May 2000. Mr. Hartley also serves as a director of Universal Display Corporation, a developer of flat panel displays.

William S. Reardon, CPA

Director since 2002

William S. Reardon, age 57, was an audit partner at PricewaterhouseCoopers LLP, where he led the Life Science Industry Practice for New England and the Eastern United States from 1986 until his retirement from the firm in July 2002. Mr. Reardon served on the Board of the Emerging Companies Section of the Biotechnology Industry Organization from June 1998 to June 2000 and the Board of Directors of the Massachusetts Biotechnology Council from April 2000 to April 2002. He also serves as a director of Oscient Pharmaceuticals Corporation (formerly Genome Therapeutics Corp.), a biopharmaceutical company.

Class II Directors Terms to Expire in 2006

Dr. James B. Wyngaarden

Director since 1990

Dr. James B. Wyngaarden, age 79, has been Chairman of the Company's Board of Directors since February 2000 and was Vice Chairman from February 1997 to February 2000. Dr. Wyngaarden is a principal in the Washington Advisory Group LLC, a consulting firm, which he founded in 1996. He was Senior Associate Dean, International Affairs at the University of Pennsylvania Medical School from 1995 to 1997. Dr. Wyngaarden was Foreign Secretary of the National Academy of Sciences and the Institute of Medicine from 1990 to 1994. He was Director of the Human Genome Organization from 1990 to 1991 and a council member from 1990 to 1993. Dr. Wyngaarden was Director of the National Institutes of Health from 1982 to 1989, and Associate Director for Lifesciences, Office of Science and Technology Policy in the Executive Office of the President, the White House, from 1989 to 1990. He is also a member of the Board of Directors of Human Genome Sciences, Inc., a genomics and biopharmaceutical company, and Genaera Corporation, a biopharmaceutical company, and the author of approximately 250 scientific publications.

Dr. Paul C. Zamecnik

Director since 1990

Dr. Paul C. Zamecnik, age 91, has been Collis P. Huntington Professor of Oncologic Medicine Emeritus at the Harvard Medical School since 1979. Dr. Zamecnik is also a Senior Scientist and Honorary Physician at Massachusetts General Hospital in Boston. He was Principal Scientist at the Worcester Foundation for Biomedical Research, Inc., a biomedical research institution, from 1979 to 1996. Dr. Zamecnik received the National Medal of Science in 1991, the City of Medicine Award in 1995 and the Lasker Award for Special Achievement in Medical Science in 1996.

Board of Directors

The Board of Directors held nine meetings in 2003 in person, by teleconference or by written action. Each of the directors participated in at least 75% of the meetings of the Board of Directors and of the committees of the Board of Directors on which he served in 2003.

Under American Stock Exchange rules that become applicable to the Company on the date of the Annual Meeting, a director of the Company will only qualify as independent if the Board of Directors affirmatively determines that he or she has no material relationship with the Company that would interfere with the exercise of independent judgment. The determination of whether a material relationship that would

interfere with the exercise of independent judgment exists is made by the other members of the Board who are independent.

The Board has determined that none of C. Keith Hartley, William S. Reardon, Dr. James B. Wyngaarden and Dr. Paul C. Zamecnik has a material relationship with the Company that would interfere with the exercise of independent judgment and that each of these directors is independent as determined under Section 121(A) of the American Stock Exchange's listing standards.

Board Committees

The Board of Directors has established five standing committees – Audit, Compensation, Executive, Finance and Nominating and Corporate Governance. Each of the Audit, Compensation and Nominating and Corporate Governance Committees operates under a charter that has been approved by the Board. Current copies of the charters for the Audit, Compensation and Nominating and Corporate Governance Committees are posted on the Corporate Governance section of the Company's website, www.hybridon.com. In addition, a copy of the Audit Committee charter as in effect on the date of this proxy statement is attached as Appendix A.

The Board of Directors has determined that all of the members of each of the Audit, Compensation and Nominating and Corporate Governance Committees are independent as defined under the American Stock Exchange rules that become applicable to the Company on the date of the Annual Meeting, including, in the case of all members of the Audit Committee, the independence requirements contemplated by Rule 10A-3 under the Securities Exchange Act of 1934, as amended. In addition, all of the members of the Audit Committee are independent as defined by the current rules of the American Stock Exchange, which apply to the Company until the date of the Annual Meeting.

Audit Committee

The Audit Committee's responsibilities include:

appointing, approving the compensation of, and assessing the independence of the Company's independent auditor;

overseeing the work of the Company's independent auditor, including through the receipt and consideration of certain reports from the independent auditor;

reviewing and discussing with management and the independent auditors the Company's annual and quarterly financial statements and related disclosures;

monitoring the Company's internal control over financial reporting, disclosure controls and procedures and code of business conduct and ethics;

discussing the Company's risk management policies;

establishing policies regarding hiring employees from the independent auditor and procedures for the receipt and retention of accounting related complaints and concerns;

reviewing and approving related party transactions, including transactions with affiliates of directors of the Company;

meeting independently with the Company's independent auditors and management; and

preparing the audit committee report required by SEC rules (which is included on pages 21 and 22 of this proxy statement).

The Audit Committee held ten meetings during 2003. The current members of the Audit Committee are Dr. Wyngaarden and Messrs. Hartley and Reardon. The Board of Directors has determined that Mr. Reardon, the Chairman of the Audit Committee, is an audit committee financial expert as defined in Item 401(h) of Regulation S-K.

Compensation Committee

The Compensation Committee's responsibilities include:

- annually reviewing and approving corporate goals and objectives relevant to compensation for the Company's chief executive officer;
- determining the chief executive officer's compensation;
- reviewing and approving, or making recommendations to the Board with respect to, the compensation of the Company's senior executives;
- overseeing an evaluation of the Company's other senior executives;
- overseeing and administering the Company's cash and equity incentive plans; and
- reviewing and making recommendations to the Board with respect to director compensation.

In 2003, the Compensation Committee held two meetings. The current members of the Compensation Committee are Dr. Wyngaarden and Messrs. Hartley and Reardon.

Executive Committee

The Executive Committee of the Board of Directors was established to act on routine matters without having to convene special meetings of the full Board. In 2003, the Executive Committee held six meetings. The current members of the Executive Committee are Drs. Agrawal and Wyngaarden and Messrs. El Zein and Seiler.

Finance Committee

The Finance Committee was established in 2003 to review and advise management and the full Board regarding prospective financing transactions. In 2003, the Finance Committee held four meetings, including one meeting in which it acted as the pricing committee in connection with the Company's August 2003 private placement. The current members of the Finance Committee are Messrs. Hartley, Reardon and Seiler and Dr. Wyngaarden.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's responsibilities include:

- identifying individuals qualified to become Board members;
- recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;
- reviewing and making recommendations to the Board with respect to management succession planning;
- developing and recommending to the Board corporate governance principles; and
- overseeing periodic evaluations of the Board.

The members of the Nominating and Corporate Governance Committee are Mr. Hartley, Mr. Reardon and Dr. Wyngaarden. The Nominating and Corporate Governance Committee was formed in February 2004 and, therefore, did not meet during 2003.

Director Attendance at Annual Meeting of Stockholders

It is the Company's policy that directors are expected to attend the annual meeting of stockholders. All directors attended the 2003 annual meeting of stockholders.

Director Candidates

The process followed by the Nominating and Corporate Governance Committee to identify and evaluate director candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Nominating and Corporate Governance Committee and the Board.

In considering whether to recommend any particular candidate for inclusion in the Board's slate of recommended director nominees, the Nominating and Corporate Governance Committee will apply the criteria set forth in the Company's Corporate Governance Guidelines that the Company has posted on the Corporate Governance Section of its website, which is located at www.hybridon.com. These criteria include the candidate's integrity, business acumen, knowledge of the Company's business and industry, age, experience, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria and no particular criterion is a prerequisite for any prospective nominee. The Company believes that the backgrounds and qualifications of its directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

Stockholders may recommend individuals to the Nominating and Corporate Governance Committee for consideration as potential director candidates by submitting their names, together with appropriate biographical information and background materials and a statement as to whether the stockholder or group of stockholders making the recommendation has beneficially owned more than 5% of the Company's Common Stock for at least a year as of the date such recommendation is made, to Nominating and Corporate Governance Committee, c/o Corporate Secretary, Hybridon, Inc., 345 Vassar Street, Cambridge, Massachusetts 02139. Assuming that appropriate biographical and background material has been provided on a timely basis, the Nominating and Corporate Governance Committee will evaluate stockholder-recommended candidates by following substantially the same process, and applying substantially the same criteria, as it follows for candidates submitted by others. If the Board determines to nominate a stockholder-recommended candidate and recommends his or her election, then his or her name will be included in the Company's proxy card for the next annual meeting.

Stockholders also have the right under the Company's bylaws to nominate director candidates directly, without any action or recommendation on the part of the Nominating and Corporate Governance Committee or the Board, by following the procedures set forth under Submission of Future Stockholder Proposals for 2005 Annual Meeting below. Candidates nominated by stockholders in accordance with the procedures set forth in the Company's bylaws will not be included in the Company's proxy card for the next annual meeting.

Communicating with the Independent Directors

The Board will give appropriate attention to written communications that are submitted by stockholders and will respond if and as appropriate. The Chairman of the Board is primarily responsible for monitoring communications from stockholders and for providing copies or summaries to the other directors as he or she considers appropriate.

Communications are forwarded to all directors if they relate to important substantive matters and include suggestions or comments that the Chairman of the Board considers to be important for the directors to know. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to ordinary business affairs, personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications.

Stockholders who wish to send communications on any topic to the Board should address such communications to Board of Directors, c/o Corporate Secretary, Hybridon, Inc., 345 Vassar Street, Cambridge, Massachusetts 02139.

Code of Business Conduct and Ethics

The Company has adopted a written Code of Business Conduct and Ethics that applies to the Company's directors, officers and employees, including its principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions. The Company has posted a current copy of the Code in the Corporate Governance section of the Company's website, which is located at www.hybridon.com. In addition, the Company intends to post on its website all disclosures that are required by law or American Stock Exchange listing standards concerning any amendments to, or waivers from, any provision of the Code.

Director Compensation

Meeting Fees

Members of the Board of Directors who are not employees of the Company are paid \$1,250 for personal attendance and \$500 for telephonic attendance at Board of Directors and committee meetings. These directors are reimbursed for their expenses incurred in connection with their attendance at Board of Directors and committee meetings.

In 2003, the Board established a policy under which non-employee directors may elect to receive their compensation for meeting attendance in cash or in a number of shares of Common Stock determined by dividing the fees for meetings attended by 85% of the fair market value of the Company's Common Stock on the first business day of the quarter following the quarter in which fees are earned. In connection with this policy, directors elected to receive Common Stock in lieu of cash for Board of Director and committee meeting fees earned during 2003 as follows:

Director	Date of Issuance	Shares of Common Stock	Cash Forgone
Dr. Wyngaarden	October 1, 2003	2,813	\$2,750
Dr. Zamecnik	October 1, 2003	3,069	3,000
Mr. Reardon	January 6, 2004	5,160	5,000
Dr. Wyngaarden	January 6, 2004	9,288	9,000
Dr. Zamecnik	January 6, 2004	2,580	2,500

Annual Retainers

In addition to meeting fees, in 2003 the Company paid the Chairman of the Board an annual retainer of \$60,000, which was paid in monthly installments, and paid the Chairman of the Audit Committee an annual retainer of \$15,000, which was paid in quarterly installments. All other non-employee directors were paid an annual retainer of \$10,000, which was paid in quarterly installments.

Equity Compensation

In June 2003, the Company's stockholders approved an amendment to Hybridon's 1995 Director Stock Option Plan. The amended 1995 Director Stock Option Plan provides for the grant of options to purchase 25,000 shares of Common Stock to each non-employee director upon his or her initial election to the Board of Directors and for automatic quarterly grants of options to purchase an additional 3,750 shares of Common Stock to each non-employee director on the first day of each calendar quarter. All options are granted with exercise prices equal to the fair market value of the Common Stock on the date of grant. All options vest on the first anniversary of the date of grant. The vesting of all options granted under the 1995 Director Stock Option Plan will be automatically accelerated upon the occurrence of a change in control of the Company, as defined in the 1995 Director Stock Option Plan.

In 2003, the Company granted the following stock options to its directors under the 1995 Director Stock Option Plan:

On July 1, 2003, each of the non-employee directors was granted an option to purchase 3,750 shares of Common Stock under the 1995 Director Stock Option Plan at an exercise price of \$0.83 per share.

On October 1, 2003, each of the non-employee directors was granted an option to purchase 3,750 shares of Common Stock under the 1995 Director Stock Option Plan at an exercise price of \$1.15 per share.

In addition to the stock options granted under the 1995 Director Stock Option Plan, in 2003 the Company granted the following options to its directors under the 1997 Stock Incentive Plan:

On March 13, 2003, Mr. Hartley, Dr. Georges Anthony Marcel, who served as a director of the Company from December 2002 through February 2004, and Mr. Reardon each was granted an option to purchase 20,000 shares of Common Stock at an exercise price of \$0.79 per share.

On April 1, 2003, each of the non-employee directors was granted an option to purchase 3,750 shares of Common Stock at an exercise price of \$0.70 per share.

All of these options were granted at an exercise price equal to the fair market value of the Common Stock on the date of grant. Except for the March 13, 2003 grants, all of these options vest in full on the first anniversary of the date of grant. The March 13, 2003 grants to Dr. Marcel, a former director, and Mr. Reardon vested in full on December 13, 2003, and the March 13, 2003 grant to Mr. Hartley was fully vested when granted.

Other Compensation

On February 4, 2003, Dr. Wyngaarden acquired 20,000 shares of Common Stock in lieu of \$15,000 in cash for 2002 meeting fees owed by the Company to Dr. Wyngaarden.

The Company paid Dr. Zamecnik \$20,000 for consulting services provided by Dr. Zamecnik in 2003 and expects to pay Dr. Zamecnik \$20,000 in 2004 for such services.

Certain Transactions

Since January 1, 2003, Hybridon has entered into or has been engaged in the following transactions with the following Hybridon directors, officers and stockholders who beneficially owned more than 5% of the outstanding Common Stock of Hybridon at the time of these transactions, as well as affiliates or immediate family members of those directors, officers and stockholders. Hybridon believes that the terms of the transactions described below were no less favorable than Hybridon could have obtained from unaffiliated third parties.

Conversion of Series A Convertible Preferred Stock

At a special meeting of stockholders held on December 4, 2003, holders of the Company's Common Stock and Series A Convertible Preferred Stock approved amendments to the Company's Certificate of Incorporation that reduced the liquidation preference and annual dividend rate on the Company's Series A Convertible Preferred Stock. The amendments also provided that during a 60-day period that ended on February 2, 2004, shares of the Company's Series A Convertible Preferred Stock could be converted into a number of shares of Common Stock that was 25% greater than the number of shares that would otherwise be issuable upon conversion of the Series A Convertible Preferred Stock. During the 60-day period, holders of 722,092 shares of the Company's Series A Convertible Preferred Stock, or 99.9% of the Series A Convertible Preferred Stock outstanding, converted their shares into 21,238,028 shares of Common Stock, including the

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following stockholders who beneficially owned more than 5% of the outstanding shares of Common Stock on an as-converted basis at the time of the conversion:

Holder	Shares of Series A Preferred Stock	Shares of Common Stock
Founders Financial Group, LP	96,207	2,829,618
General Motors Employees Domestic Group Trust	152,520	4,485,884
Guardian Life Insurance Company of America	145,451	4,277,971

Pillar Investment Ltd. and Affiliates

Youssef El Zein, a Class III director of the Company, is the Chief Executive Officer of Pillar S.A. and a Director of Pillar Investment Ltd. In 2003, the Company:

paid \$195,000 to Pillar for consulting services relating to international investor relations;

paid \$100,000 to Pillar for consulting services related to the repurchase of the Company's Common Stock from certain stockholders; and

paid \$255,000 to Pillar and issued to Pillar warrants to purchase 587,709 shares of Common Stock at an exercise price of \$1.00 per share as placement agent fees in connection with the Company's August 2003 private placement.

During the first quarter of 2004, the Company did not pay compensation to, or receive services from Pillar.

In addition, Optima Life Sciences Limited, which is controlled by Pillar Investment Ltd., purchased 5,500,381 shares of Common Stock and warrants to purchase 1,650,114 additional shares of Common Stock in the August 2003 private placement.

TMC Development

On September 1, 2002, the Company entered into an agreement with TMC Development to provide consulting, advisory and related services to Hybridon. Dr. Marcel, who served as director of the Company from December, 2002 through February, 2004, is the President and principal stockholder of TMC Development. The Company paid TMC Development \$45,000 in 2003 and \$15,875 in 2004 for consulting services provided to the Company in 2003 under the agreement.

August 2003 Private Placement

Drs. Wyngaarden and Zamecnik participated in the August 2003 private placement offering under the same terms as other investors. Dr. Wyngaarden purchased, at a cost of \$25,000, 34,246 shares of Common Stock and warrants to purchase 10,274 shares of Common Stock with an exercise price of \$1.00 per share; Dr. Zamecnik purchased, at a cost of \$50,000, 68,493 shares of Common Stock and warrants to purchase 20,548 shares of Common Stock with an exercise price of \$1.00 per share.

Executive Compensation

The following table sets forth the compensation for the Chief Executive Officer of the Company and the three other executive officers of the Company (collectively, the Named Executive Officers):

Summary Compensation Table

Name and Principal Position		Annual Compensation			Long-Term Compensation Awards	All Other Compensation(1)(\$)
		Salary(\$)	Bonus(\$)	Other Annual Compensation(\$)	Securities Underlying Options(#)	
Stephen R. Seiler Chief Executive Officer	2003	\$ 360,000	\$ 100,000	\$ 15,707(2)		\$ 18,115
	2002	360,000		14,376(2)	350,000	64,086
	2001	120,000(3)		4,249(2)	3,640,000	6,553
Sudhir Agrawal, D. Phil President and Chief Scientific Officer	2003	360,000	100,000	65,000(4)		41,616
	2002	360,000	100,000	64,624(4)		47,039
	2001	345,000	300,000(5)	63,750(4)	5,141,737	35,712
Robert G. Andersen Chief Financial Officer, Vice President of Operations, Treasurer and Secretary	2003	258,000	120,000	14,489(2)		22,877
	2002	258,000	60,000	13,294(2)		18,400
	2001	251,000	172,500(5)	11,549(2)	400,000	11,043
R. Russell Martin, M.D. Senior Vice President of Drug Development and Chief Medical Officer	2003	250,250	10,000	14,397(2)	15,000	31,000
	2002	250,250	15,000	13,212(2)		16,569
	2001	250,250		17,172(2)	50,000	11,988

(1) All Other Compensation represents compensation paid for the surrender of unused vacation days and 401(k) employer contributions in the applicable year. All Other Compensation for Mr. Seiler also includes relocation benefits paid to Mr. Seiler in 2002 and in 2001.

	2003	2002	2001
Stephen R. Seiler			
401(k)	\$ 6,000	\$ 5,500	\$
Compensation paid for the surrender of unused vacation days	12,115	12,692	
Relocation benefits		45,894	6,553
Total for Stephen R. Seiler	\$18,115	\$64,086	\$ 6,553
Sudhir Agrawal, D. Phil			
401(k)	\$ 7,000	\$ 5,500	\$ 5,250
Compensation paid for the surrender of unused vacation days	34,616	41,539	30,462
Total for Sudhir Agrawal, D. Phil	\$41,616	\$47,039	\$35,712
Robert G. Andersen			
401(k)	\$ 7,000	\$ 5,500	\$ 5,250
Compensation paid for the surrender of unused vacation days	15,877	12,900	5,793
Total for Robert G. Andersen	\$22,877	\$18,400	\$11,043
