

HYBRIDON INC
Form PRE 14A
May 06, 2002

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
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

HYBRIDON, INC.

(Name of Registrant as Specified In Its Charter)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:

4) Date Filed:

HYBRIDON, INC.

**345 Vassar Street
Cambridge, MA 02139**

NOTICE OF 2002 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on June 19, 2002

The 2002 Annual Meeting of the Stockholders of Hybridon, Inc. (the Company) will be held on Wednesday, June 19, 2002 at 10:00 a.m., Boston time, at the Hyatt Hotel, 575 Memorial Drive, Cambridge, Massachusetts (the Annual Meeting), for the purpose of considering and voting upon the following matters:

1. To elect three Class I 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 100,000,000 shares to 150,000,000 shares.
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.

The Board of Directors has fixed the close of business on Friday, April 26, 2002 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
May , 2002

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 19, 2002

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 Annual Meeting of Stockholders (the Annual Meeting) to be held on Wednesday, June 19, 2002 at 10:00 a.m., Boston time, at the Hyatt Hotel, 575 Memorial Drive, Cambridge, Massachusetts 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 in favor of the matters set forth in the accompanying Notice of Annual Meeting. A 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 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, the Company s 2001 Annual Report to Stockholders and the Company s Annual Report on Form 10-K for the year ended December 31, 2001, as filed with the Securities and Exchange Commission, without exhibits, are being mailed to stockholders on or about May , 2002. 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, 2002, 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 46,512,142 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 all shares of Common Stock entitled to vote at the Annual Meeting (including shares which abstain or do not vote with respect to one or more of the matters presented for stockholder approval such as broker non-votes as described below) shall constitute a quorum for the transaction of business 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 100,000,000 shares to 150,000,000 shares.

Shares that abstain from voting as to a particular matter and shares 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 a particular matter ("broker non-votes") will not be counted as votes in favor of such matter, and will also not be counted as votes cast or shares voting on such matter. Accordingly, 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 March 31, 2002 Hybridon had 45,701,884 shares of Common Stock issued and outstanding. The following table sets forth certain information about the beneficial ownership of Common Stock, as of that date, 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		
Founders Financial Group, L.P.(2) 53 Forest Avenue Old Greenwich, CT 06870	6,265,304	12.32%
Michael A. Boyd(3) c/o Founders Financial Group, L.P. 53 Forest Avenue Old Greenwich, CT 06870	6,265,304	12.32%
Directors and Executive Officers		
C. Keith Hartley(4)	6,413,874	12.61%
Sudhir Agrawal, D. Phil(5)	4,100,659	8.25%
Youssef El-Zein(6)	1,851,835	4.05%
Stephen R. Seiler(7)	1,182,000	2.55%
Paul C. Zamecnik, M.D.(8)	958,789	2.09%
Robert G. Andersen(9)	757,840	1.63%
Arthur W. Berry(10)	587,200	1.28%
James B. Wyngaarden, M.D.(11)	44,923	1.18%

Edgar Filing: HYBRIDON INC - Form PRE 14A

Name of Beneficial Owner	Number of Shares Beneficial Ownership	Percentage of Common Stock Outstanding(1)
R. Russell Martin, M.D.(12)	425,705	*
Nasser Menhall(13)	304,491	*
Jin-yan Tang, Ph.D(14)	164,826	*
Camille A. Chebeir(15)	45,000	*
All directors and executive officers as a group (12 persons)(16)	17,337,192	30.17%

* 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 which the stockholder has the right to acquire within 60 days of March 31, 2002 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 2,605,427 shares of Common Stock issuable upon exercise of warrants, 2,059,388 shares of Common Stock issuable upon conversion of 87,524 shares of the Company's Series A Convertible Preferred Stock, \$0.01 par value per share (the Series A Preferred Stock), and 499,248 shares of Common Stock issuable upon conversion of \$299,549 in convertible debt.
- (3) Consists of the securities owned by Founders Financial Group, L.P. (Founders) as set forth in the table above. Mr. Boyd is the sole director and shareholder of Michael A. Boyd, Inc., which is the general partner of Founders. Mr. Boyd may be considered a beneficial owner of the securities beneficially owned by Founders.
- (4) Includes 10,000 shares of Common Stock subject to outstanding stock options held by Mr. Hartley. Also includes the securities owned by Founders as set forth in the table above. Included in Founders' holdings are 87,524 shares of Series A Preferred Stock, which represent 13.24% of the outstanding Series A Preferred Stock. Mr. Hartley is an affiliate of Founders and may be considered the beneficial owner of the securities owned by Founders.
- (5) Includes 3,978,499 shares subject to outstanding stock options.
- (6) Includes 28,000 shares subject to outstanding stock options.
- (7) Includes 672,000 shares subject to outstanding stock options.
- (8) Includes 201,000 shares subject to outstanding stock options.
- (9) Includes 701,269 shares subject to outstanding stock options.
- (10) Includes 20,000 shares subject to outstanding stock options.
- (11) Includes 431,000 shares subject to outstanding stock options.
- (12) Includes 334,955 shares subject to outstanding stock options.
- (13) Includes 28,000 shares subject to outstanding stock options.
- (14) Consists of 164,826 shares subject to outstanding stock options.

Edgar Filing: HYBRIDON INC - Form PRE 14A

- (15) Includes 20,000 shares subject to outstanding stock options.
- (16) Includes 6,589,549 shares subject to outstanding stock options held by the directors and executive officers. Also includes the securities owned by Founders as set forth in the table above.

PROPOSAL 1 ELECTION OF DIRECTORS

The Company's Board of Directors is divided into three classes and currently consists of three Class I Directors (Arthur W. Berry, C. Keith Hartley and Nasser Menhall), three Class II Directors (Camille A. Chebeir, 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.

Pursuant to the terms of the exchange agreement entered into by the Company in connection with the exchange by the Company of Series A Preferred Stock and warrants for 9% Convertible Subordinated Notes due 2004 (the 9% Note Exchange), the Company agreed that for so long as at least 50% of the Series A Preferred Stock initially issued in the 9% Note Exchange remains outstanding, the holders of such Series A Preferred Stock will be entitled to designate one member for nomination to the Board of Directors of Hybridon, provided that such nominee is reasonably acceptable to Hybridon. Mr. Berry serves on the Board of Directors as the nominee of the holders of the Series A Preferred Stock.

The persons named in the enclosed proxy card will vote to elect Arthur W. Berry, C. Keith Hartley and Nasser Menhall as Class I Directors, unless the proxy is marked otherwise. The proxy card may not be voted for more than three directors. Each Class I Director will be elected to hold office until the 2005 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 proxies may be voted for substitute nominees selected by the Board of Directors. **The Board of Directors recommends that the stockholders vote for the election of Messrs. Berry, Hartley and Menhall as Class I 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, 2002, 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 I Directors Terms to Expire in 2005

Arthur W. Berry

Director since 1998

Arthur W. Berry, age 60, has been engaged in consulting since May 2000. Mr. Berry was Chairman and Investment Management Partner of Pecks Management Partners Ltd., an investment management company, from September 1990 to May 2000. He was Vice President and Co-Manager of the Alliance Convertible Securities Group, an investment management company, and President of the Alliance Convertible Fund, an investment management company, from 1985 to 1990. Mr. Berry also serves as a director of Intellicorp, Inc., an international technology services company.

C. Keith Hartley

Director since 2000

C. Keith Hartley, age 59, 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 management company, from August 1995 to May 2000. Mr. Hartley also serves as a director of Comdisco, Inc., a technology services provider, and Universal Display Corporation, a developer of flat panel displays.

Nasser Menhall

Director since 1992

Nasser Menhall, age 46, has been Chief Executive Officer of the WorldCare Group, a telemedicine and insurance company, since June 1994. Mr. Menhall was President of Pillar Investment Limited, a private investment and management consulting firm, from 1990 to 2000, and President of Biomedical Associates, a private investment firm from 1990 to 2000.

Continuing Members of the Board of Directors

Class II Directors Terms to Expire in 2003

Camille A. Chebeir

Director since 1999

Camille A. Chebeir, age 63, has been President of Sedco Services, Inc. an investment management company, since December 1998. From 1993 to December 1998, Mr. Chebeir served as President of Euram Group Ltd., a private consulting company. Mr. Chebeir was the Executive Vice President/ General Manager of National Commercial Bank, New York branch from 1989 to 1992.

Dr. James B. Wyngaarden

Director since 1990

Dr. James B. Wyngaarden, age 77, 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 89, 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.

Class III Directors Terms to Expire in 2004

Dr. Sudhir Agrawal

Director since 1993

Dr. Sudhir Agrawal, age 48, joined the Company in 1990 and has been the Company's Chief Scientific Officer since January 1993, 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 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 53, 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 Chairman of the WorldCare Group, a telemedicine and insurance company, since 1993.

Stephen R. Seiler

Director since 2001

Stephen R. Seiler, age 45, 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.

Board of Directors and Committee Meetings

The Board of Directors held 12 meetings in 2001 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 2001.

The Board of Directors has a standing Audit Committee of the Board of Directors that reviews the results and scope of the audit and other services provided by the Company's independent public accountants. The Audit Committee held four meetings during 2001. The members of the Audit Committee are Dr. Wyngaarden and Messrs. Chebeir and Menhall.

The Board of Directors also has a standing Compensation Committee of the Board of Directors that is responsible for establishing compensation policies with respect to the Company's executive officers. The Compensation Committee also administers the Company's stock option plans. In 2001, the Compensation Committee held two meetings. The members of the Compensation Committee are Dr. Wyngaarden and Messrs. Berry and El-Zein.

The Board of Directors does not have a standing nominating committee. The Board of Directors as a whole performs the functions customarily delegated to a nominating committee and entertains nominations to the Board of Directors from any Board member. From time to time in the past, the Board of Directors has established special nominating committees to identify and propose potential new Board members. On March 15, 2002, the Board of Directors established an ad hoc committee consisting of Dr. Agrawal, Mr. Seiler, Mr. El-Zein and Dr. Wyngaarden to evaluate the composition of the Board of Directors and develop a list of potential candidates for future consideration as Board members.

Director Compensation

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

In addition, each non-employee director of the Company receives stock options under Hybridon's 1995 Director Stock Option Plan. The 1995 Director Stock Option Plan provides for the grant of options to purchase 5,000 shares of Common Stock to each outside director upon his or her initial election to the Board of Directors and for automatic annual grants of options to purchase an additional 5,000 shares on May 1 of each year. 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 or, in the case of options granted automatically each year, on April 30 of the year following the date of the 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 connection with Dr. Wyngaarden's service as Chairman of the Board of Directors, and in addition to the meeting fees described above, the Company has agreed to pay Dr. Wyngaarden \$15,000 per calendar quarter. In 2001, in addition to the meeting fees described above, the Company paid to Dr. Wyngaarden \$60,000 in cash and awarded Dr. Wyngaarden 50,000 shares of Common Stock.

On April 9, 2001, the Company issued Dr. Zamecnik 35,714 shares of Common Stock for consulting services provided by Dr. Zamecnik in 2000, and on December 17, 2001, the Company issued Dr. Zamecnik 11,765 shares of Common Stock for consulting services provided by Dr. Zamecnik in 2001.

Certain Transactions

Since January 1, 2001, Hybridon has entered into or has been engaged in the following transactions with the following Hybridon directors, officers, stockholders who beneficially owned more than 5% of the outstanding Common Stock (5% Stockholders) of Hybridon at the time of these transactions and affiliates or immediate family members of those directors, officers and 5% Stockholders. Hybridon believes that the terms of the transactions described below were no less favorable than Hybridon could have obtained from unaffiliated third parties.

\$6.0 Million Loan Arrangement

During 1998, the Company entered into a \$6.0 million loan arrangement with Founders Financial Group, L.P., formerly Forum Capital Markets, L.L.C., and several other investors. The terms of the loan were as follows: (i) the maturity date was November 30, 2003; (ii) the interest rate was 8%; (iii) interest was payable monthly in arrears, with the principal due in full at maturity of the loan; (iv) the loan was convertible, at the holders' option, in whole or in part, into shares of common stock at a conversion price equal to \$2.40 per share; and (v) the loan required minimum liquidity, as defined, of \$2.0 million.

On March 28, 2001, the Company entered into an agreement with the lenders pursuant to which it agreed to pay \$3.0 million to the lenders in partial payment of the principal amount outstanding under the loan. In addition, the Company deposited \$821,250 in a restricted account for the purpose of securing the payment of the balance remaining on the loan. The Company entered into this arrangement in order to encourage the lenders to release their security interest in the shares of MethlyGene Inc. held by Hybridon so that Hybridon could sell such shares to third parties. In addition, the Company agreed to reduce the conversion price of the loan from \$2.40 per share to \$1.50 per share upon completion of the sale of 60% of the Company's holdings in MethlyGene. The Company also agreed to further reduce the conversion price from \$1.50 per share to \$0.50 per share if the balance of the loan was not paid in full by the Company before September 30, 2001. On September 27, 2001, the Company paid off the remaining \$3.0 million to the lenders in full satisfaction of the loan. The \$821,250 deposited in the restricted account to secure the loan was released to the Company.

Of the \$6.0 million loaned to the Company in 1998, \$3.0 million was loaned by Founders. In 2001, the Company repaid the Founders loan in full by paying to Founders \$900,000 on April 27, 2001, \$600,000 on May 14, 2001 and \$1,500,000 on September 27, 2001. The Company paid Founders a total of \$150,877 in interest on the Founders loan in 2001.

8% Convertible Notes

In March 2000, the Company completed an offering of 8% convertible notes (8% Notes) in the aggregate original principal amount of \$7.6 million. On March 30, 2001, holders of 8% Notes in the aggregate principal amount of \$7,354,046 exchanged their 8% Notes (including principal and accrued interest thereon) for 76,046 shares of the Company's Series B Convertible Preferred Stock, \$0.01

Edgar Filing: HYBRIDON INC - Form PRE 14A

par value (the Series B Preferred Stock), including the following directors, executive officers and 5% Stockholders of the Company, and affiliates thereof:

Noteholder	Principal	Accrued Interest	Shares of Series B Preferred Stock
Abdul Raof M. Abu Anza(1)	\$ 658,288	\$22,674	6,809
Mohammed A. Bajrai(1)	266,298	9,172	2,754
Bajrai International Group Ltd.(1)	266,298	9,172	2,754
Arthur W. Berry	213,038	7,338	2,203
Darier Hentsch & Cie(1)	426,076	14,676	4,407
Youssef El-Zein	30,698	1,057	317
Estate of E. Andrews Grinstead III(1)	140,394	56,503	1,968
R. Russell Martin	34,086	1,174	352
Nasser Menhall	17,168	591	177
Nicris Ltd.(1)	1,100,000		11,000
Oussama Salam(1)	179,675	6,189	1,858
Paul Zamecnik	27,695	954	286

(1) In each case, the entity or individual beneficially owned more than 5% of the outstanding shares of Common Stock at the time of the transaction.

As of April 15, 2002, Founders held 8% Notes in the aggregate principal amount of \$299,549. This principal amount included \$33,251 in interest paid by the Company to Founders through the issuance of additional 8% Notes between January 1, 2001 and April 15, 2002.

Early Exercise Program

In 2001, the Company conducted an early exercise program (the Early Exercise Program) under which it exchanged its Common Stock for Series B Preferred Stock, several classes of its warrants and a portion of its remaining 8% Notes in order to simplify the Company's capital structure and to reduce the number of outstanding securities which are exercisable for or convertible into shares of its Common Stock. The Company offered the holders of its Series B Preferred Stock the right to convert such shares into Common Stock at a lower conversion price than that set forth in the Certificate of Designation governing the terms of the Series B Preferred Stock. The Company offered the holders of various warrants the opportunity to immediately exercise their warrants for the purchase of shares covered by such warrants at a reduced exercise price, either by paying the lower exercise price for such shares in cash or by engaging in a cashless transaction, whereby they could receive a reduced number of shares of Common Stock in exchange for warrants of equivalent value. The value of the warrants was determined by the Company based on advice from the Company's investment bankers. The Company offered the holders of its remaining 8% Notes the opportunity to exchange the 8% Notes for shares of the Company's Common Stock at a reduced conversion price. As of December 31, 2001, the results of the program were as follows:

All holders of the Company's Series B Preferred Stock exchanged their shares of Series B Preferred Stock for 19,564,500 shares of the Company's Common Stock, including the following directors, executive officers and 5% Stockholders of the Company, and affiliates thereof:

Holder	Shares of Series B Preferred Stock	Shares of Common Stock
Abdul Raof M. Abu Anza(1)	6,299	1,574,750
Mohammed A. Bajrai(1)	2,552	638,000
Bajrai International Group Ltd.(1)	2,552	638,000
Arthur W. Berry	2,269	567,230
Darier Hentsch & Cie(1)	4,085	1,021,250

Edgar Filing: HYBRIDON INC - Form PRE 14A

Holder	Shares of Series B Preferred Stock	Shares of Common Stock
Youssef El-Zein	3,851	962,750
Estate of E. Andrews Grinstead III(1)	2,106	526,500
R. Russell Martin	363	90,750
Nasser Menhall	164	41,000
Nicris Ltd.(1)	10,137	2,534,250
Oussama Salam(1)	2,102	525,500
Paul Zamecnik	1,066	266,500

(1) In each case, the entity or individual beneficially owned more than 5% of the outstanding shares of Common Stock at the time of the transaction.

Holders of warrants with exercise prices ranging between \$0.60 per share and \$2.40 per share exchanged their warrants for 4,669,808 shares of the Company's Common Stock. The following directors, executive officers and 5% Stockholders of the Company, and affiliates thereof, participated in the exchange and exercised their warrants either through a cashless exercise involving a cancellation of a portion of their warrants or through the payment of the exercise prices therefor as set forth below:

Holder	Warrants	Cash Paid	Shares of Common Stock
Abdul Raof M. Abu Anza(1)	356,702	\$	220,019
Darier Hentsch & Cie(1)	140,636		75,170
Declaration of Trust for the Defined Benefit Plan of ICI American Holdings, Inc.(1)	253,620		154,839
Delaware State Employees Retirement Fund(1)	661,046		396,039
Youssef El-Zein	748,248		474,304
Founders Financial Group L.P.(1)	635,012		343,542
Global Investment Enterprises Ltd.(2)	55,872		39,066
Guardian Life Insurance Company Of America(1)	252,101		135,429
C. Keith Hartley	138,570	51,271	138,570
Intercity Holdings Ltd.(1)	375,000		202,875
Nasser Menhall	136,029		81,711
Nicris Ltd.(1)	234,764		127,007
Oussama Salam(1)	577,762		357,493
James B. Wyngaarden	27,737	10,817	27,737
Paul Zamecnik	230,793	91,018	230,793

(1) In each case, the entity or individual beneficially owned more than 5% of the outstanding shares of Common Stock at the time of the transaction.

(2) Global Investment Enterprises Ltd. is an affiliate of Camille Chebeir.

No directors, officers or 5% stockholders exchanged 8% Notes for Common Stock as part of the Early Exercise Program.

Pillar Consulting Fees

In 2001, Pillar S.A. provided consulting services to the Company relating to the sale by the Company of shares of Methylgene Inc., the Company's transaction with Isis Pharmaceuticals, Inc., the 8% Note conversion and the Early Exercise Program. In consideration for such services, the Company paid \$250,000 in cash to Pillar and issued 178,571 shares of Common Stock to Pillar.

Executive Compensation

The following table sets forth the compensation for the Chief Executive Officer of the Company and the four other most highly compensated executive officers of the Company whose salary and bonus for the fiscal year ended December 31, 2001 exceeded \$100,000 (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(2) Chief Executive Officer	2001	\$ 120,000		\$ 4,249(3)	3,640,000	\$ 6,553
Sudhir Agrawal, D. Phil President and Chief Scientific Officer	2001 2000 1999	345,000 293,750 250,000	\$ 300,000(4)	69,000(5) 58,750(5) 50,000(5)	5,141,737 500,000 1,618,263	30,462 28,846 25,962
Robert G. Andersen Chief Financial Officer, Vice President of Operations, Treasurer and Secretary	2001 2000 1999	251,000 225,625 187,500	172,500(4)	11,549(3) 10,640(3) 8,633(3)	400,000 450,000 288,350	5,793 8,846
R. Russell Martin, M.D. Senior Vice President of Drug Development	2001 2000 1999	250,250 230,876 227,500		17,172(3) 12,808(3) 11,632(3)	50,000 388,540	6,738 7,328
Jin-yan Tang, Ph.D Vice President of Chemistry	2001 2000 1999	204,496 195,192 175,000		10,970(3) 8,963(3) 7,695(3)	15,000 193,872	4,038 6,482

- (1) The amount set forth for Mr. Seiler is for relocation benefits paid in 2001. The amounts set forth for all other Named Executive Officers represent compensation paid for the surrender of unused vacation days in the applicable year.
- (2) Mr. Seiler joined the Company as Chief Executive Officer in September 2001.
- (3) Represents premiums paid by the Company for life, disability and health insurance in the applicable year.
- (4) Represents bonus paid in cash and stock valued at \$0.5625 per share, the fair market value on the date the bonus was awarded, as follows:

Name	Paid in Cash	Value Paid in Stock	No. of Shares Received
Sudhir Agrawal, D. Phil	\$ 200,000	\$ 100,000	94,400
Robert G. Andersen	115,000	57,500	63,071

The number of shares of Common Stock received by each of Dr. Agrawal and Mr. Andersen was reduced by a number of shares of Common Stock having a value equal to the amount of the required withholding taxes paid by the Company with respect to the issuance of such shares.

(5) Other annual compensation paid to Dr. Agrawal consists of:

	<u>2001</u>	<u>2000</u>	<u>1999</u>
Cash paid in lieu of employee benefits pursuant to Dr. Agrawal's employment agreement			