UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended December 31, 2013

OR

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

For the transition period from ___ to ___

Commission file number: 0-12957

Enzon Pharmaceuticals, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**22-2372868**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
20 Kingsbridge Road, Piscataway, New Jersey	**08854**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: **(732) 980-4500**

Securities registered pursuant to Section 12(b) of the Act:

Title of Class	Name of Exchange on Which Registered
Common Stock, $.01 par value	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
☐ Yes ☒ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. ☐ Yes ☒ No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the 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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☒

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

☐ Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). ☐ Yes ☒ No

The aggregate market value of the Common Stock, $.01 par value per share ("Common Stock"), held by non-affiliates of the registrant was approximately $86,914,342 as of June 30, 2013, based upon the closing sale price on The NASDAQ Stock Market of $2.00 per share reported for the immediately prior trading day. Shares of Common Stock held by each executive officer and director of the registrant as of June 30, 2013 have been excluded in that such shares may be deemed to be owned by affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

There were 44,093,515 shares of Common Stock issued and outstanding as of March 6, 2014.

DOCUMENTS INCORPORATED BY REFERENCE

If the registrant files a definitive proxy statement relating to its 2014 Annual Meeting of Stockholders with the Commission not later than 120 days after December 31, 2013, portions of such definitive proxy statement will be incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. However, if such definitive proxy statement is not filed with the Commission in such 120-day period, the registrant will file an amendment to this Annual Report on Form 10-K with the Commission not later than the end of such 120-day period to include the information

required by Part III of Form 10-K.

ENZON PHARMACEUTICALS, INC.

2013 Annual Report on Form 10-K

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Unless the context requires otherwise, references in this Annual Report on Form 10-K to "Enzon," the "Company," "we," "us," or "our" and similar terms mean Enzon Pharmaceuticals, Inc. and its subsidiaries.

This Annual Report on Form 10-K contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in this Annual Report on Form 10-K, other than statements that are purely historical, are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "potential," "anticipates," "plans," or "intends" or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy. Forward-looking statements are based upon management's present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future and are subject to known and unknown risks and uncertainties that could cause actual results, events or developments to be materially different from those indicated in such forward-looking statements, including the risks and uncertainties set forth in Item 1A. Risk Factors of this Annual Report on Form 10-K. These risks and uncertainties should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. As such, no assurance can be given that the future results covered by the forward-looking statements will be achieved. All information in this Annual Report on Form 10-K speaks only as of the date of the filing of this report, unless otherwise indicated. We do not intend to update this information to reflect events after the date of this report.

Our website is located at www.enzon.com. Copies of our Annual Reports on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and our other reports filed with the Securities and Exchange Commission, or the SEC, can be obtained, free of charge as soon as reasonably practicable after such material is electronically filed with, or furnished to the SEC, from our Investor Relations Department by calling (732) 980-4500, through an e-mail request to investor@enzon.com, through the SEC's website by clicking the SEC Filings link from the Investors and Media page on our website at www.enzon.com or directly from the SEC's website at www.sec.gov. Our website and the information contained therein or connected thereto are not intended to be incorporated into this Annual Report on Form 10-K.

PART I.

Item 1. Business

We receive royalty revenues from existing licensing arrangements with other companies primarily related to sales of six marketed drug products, namely, PegIntron®, Sylatron®, Macugen®, CIMZIA®, Oncaspar and Adagen. The primary source of our royalty revenues is sales of PegIntron, which is marketed by Merck & Co., Inc. ("Merck"). We currently have no clinical operations and limited corporate operations. Royalty revenues from sales of PegIntron accounted for approximately 87%, 93% and 94% of our total royalty revenues in 2013, 2012 and 2011, respectively.

We were previously dedicated to the research and development of innovative therapeutics for patients with high unmet medical needs. In December 2012, we announced that our Board of Directors retained Lazard Frères & Co. LLC ("Lazard") to act as financial advisor in a review of the possible sale or disposition of one or more corporate assets or a sale of our Company and that our Board of Directors established a special committee to oversee our sale review process. In connection with our sale review process, we substantially suspended all clinical development activities with a goal of conserving capital and maximizing value returned to our stockholders. In April 2013, we announced that we had concluded a review of the sale or disposition of one or more corporate assets or a sale of our Company. The review did not result in a definitive offer to acquire our Company or all or substantially all of our Company's assets. In the same announcement, we also announced that our Board of Directors intends to distribute excess cash, expected to arise from ongoing royalty revenues, in the form of periodic dividends to stockholders.

In April 2013, pursuant to the terms of an asset purchase agreement, we sold to Belrose Pharma, Inc. ("Belrose") all right, title and interest to our Customized PEGylation platform and related assets. The assets included (i) intellectual property and know-how associated with the PEGylation platform, (ii) patents and know-how related to PEG SN-38, (iii) patents and know-how associated with certain of our internal clinical programs and (iv) certain related supplies and equipment.

In September 2013, we entered into a sublease agreement, which was amended and restated in November 2013, with Axcellerate Pharma, LLC ("Axcellerate"), pursuant to which we sublease to Axcellerate a portion of our premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas. The term of the sublease commenced on November 14, 2013 and will expire on July 30, 2021. The monthly fixed rent payable by Axcellerate to us under the sublease is as follows: (i) in year one, $10,417, (ii) in year two, $15,625, (iii) in year three, $20,833, (iv) in year four, $26,042 and (v) in each of years five through eight, $35,000. The sublease also provides for Axcellerate to pay additional rent to cover its applicable share of real estate taxes, operating expenses, sewer and gas usage, water usage, electricity usage and certain other charges incurred by Axcellerate.

In October 2013, we terminated our License and Collaboration Agreement with Santaris Pharma A/S ("Santaris") whereby we returned to Santaris the rights to molecules utilizing LNA technology including the mRNA antagonists targeting Hypoxia-Inducible Factor-1 alpha (HIF-1 alpha), the Androgen Receptor (AR), HER3, and Beta-catenin.

We wound down our remaining research and development activities during 2013. We have no intention of resuming any clinical development activities or acquiring new sources of royalty revenues.

ROYALTIES

Our primary source of revenues is the royalties that we receive on third-party sales of marketed drug products that utilize our proprietary technology. We receive royalties on six marketed drug products that utilize our proprietary PEGylation platform, namely PegIntron®, Sylatron®, Macugen®, CIMZIA®, Oncaspar and Adagen, with PegIntron being the largest source of our royalty income. Royalty revenues from sales of PegIntron accounted for approximately 87%, 93% and 94% of our total royalty revenues in 2013, 2012 and 2011, respectively.

DRUG PRODUCT	PRIMARY OR TARGET INDICATIONS	DRUG MARKETER	ROYALTY EXPIRATION
PegIntron (peginterferon alfa-2b)	Chronic hepatitis C	Merck	U.S. - 2016 Europe - 2018
Sylatron (peginterferon alfa 2b)	Melanoma		Japan – 2019 Rest of world – varies by country
Macugen (pegaptanib sodium injection)	Neovascular (wet) age-related macular degeneration	Valeant Pharmaceuticals Inc. (“Valeant”) and Pfizer Inc.	U.S. – 2014 Great Britain - 2014 Rest of world – 2018
CIMZIA (certolizumab pegol)	Crohn’s disease, rheumatoid arthritis	UCB Pharma	U.S. – 2014 Great Britain - 2014 Rest of world – 2018
Oncaspar (PEG-L-apsaraginase)	Acute lymphoblastic leukemia	Sigma Tau	2014
Adagen (PEG-adenosine deaminase)	Severe combined immunedeficiency	Sigma Tau	2014

PegIntron is a PEG-enhanced version of Merck's alpha interferon product, INTRON ® A, which is used both as a monotherapy and in combination with REBETOL ® (ribavirin) capsules for the treatment of chronic hepatitis C. Merck holds an exclusive worldwide license to PegIntron. We are entitled to receive royalties on Merck's worldwide sales of PegIntron until certain expiration dates set forth in the license agreement which are expected to occur in 2016 in the U.S., 2018 in Europe and 2019 in Japan. Merck is responsible for all manufacturing, marketing, and development activities for PegIntron. We designed PegIntron to allow for less frequent dosing and to yield greater efficacy, as compared to INTRON ® A. On March 29, 2011, the United States Food and Drug Administration (FDA) approved peginterferon alfa-2b (Sylatron®) to treat melanoma with nodal involvement after surgical resection.

Sales of PegIntron have been in decline since 2008. Products that compete with PegIntron have been and potentially will be introduced by other drug manufacturers. Hoffmann-La Roche's PEGASYS, a competing PEGylated interferon alfa, has resulted in significant competitive pressure on PegIntron sales in the U.S. and all international markets. PEGASYS has taken market share away from PegIntron and the overall market for PEGylated alpha-interferon for the treatment of hepatitis C has been contracting. As a result, sales of PegIntron in certain markets where it competes with PEGASYS and the royalties we receive on those sales have declined. On December 6, 2013, the U.S. Food and Drug Administration (FDA) approved Gilead's Sovaldi (sofosbuvir) 400 mg tablets, a once-daily oral nucleotide analog polymerase inhibitor for the treatment of chronic hepatitis C infection as a component of a combination antiviral treatment regimen. Sovaldi was approved in combination with peg-interferon alpha and ribavirin for genotype 1 and 4 patients, and in combination with ribavirin for genotype 2 and 3 patients. On January 17, 2014, the European Commission granted marketing authorization for Sovaldi. We expect that the adoption of Sovaldi will have a negative impact on PegIntron revenues. Furthermore, there are several other novel agents in various stages of preclinical and clinical development for the treatment of hepatitis C which either include or eliminate combination with pegylated interferon. It is possible that this research could lead to other competing products.

We have out-licensed our proprietary PEGylation and single-chain antibody, or SCA, technologies on our own and through agreements with Nektar Therapeutics, Inc. ("Nektar") and Micromet AG ("Micromet"). Under our Cross-License and Option Agreement with Nektar, Nektar had the lead role in granting sublicenses for certain of our PEGylation patents and we receive royalties on sales of any approved product for which a sublicense has been granted. Effective in January 2007, Nektar's right to grant additional sublicenses is limited to a certain class of PEGylation patents. Existing sublicenses granted by Nektar prior to January 2007 were unaffected by this change in Nektar's rights. Currently, we are aware of five third-party products for which Nektar has granted sublicenses to our PEGylation technology, including Valeant/Pfizer's Macugen, UCB's CIMZIA, Affymax and Takeda's OMONTYS, Hoffmann-La Roche's PEGASYS and an undisclosed Pfizer product. Our U.S. rights to receive royalties under our agreement with Nektar relating to CIMZIA, Macugen and OMONTYS expire in 2014. After the expiration of our sublicensed patents, we may be entitled to lesser immunity fees on a country-by-country and product-by-product basis for up to twelve years from the date of first sale of these drugs.

CIMZIA was approved in April 2008 for the treatment of Crohn's disease. In May 2009, CIMZIA was approved for adult patients suffering from moderate to severe rheumatoid arthritis. Macugen is being marketed by Valeant in the U.S. and by Pfizer in the rest of the world for the treatment of neovascular (wet) age-related macular degeneration, an eye disease associated with aging that destroys central vision. OMONTYS, which was approved on March 27, 2012, is a synthetic peptide-based erythropoiesis-stimulating agent marketed by Affymax and Takeda for the treatment of anemia in chronic kidney failure. On February 23, 2013, Affymax and Takeda announced a nationwide voluntary recall of all lots of OMONTYS (peginesatide) injection to the user level as a result of new postmarketing reports regarding serious hypersensitivity reactions, including anaphylaxis, which can be life-threatening or fatal.

As part of the January 2010 sale of our former specialty pharmaceutical business, we are entitled to royalties of from 5 and 10 percent on net sales above certain baseline net sales of the four marketed drug products (Adagen®, Oncaspar®, Abelcet®, and DepoCyt®) through 2014.

DEVELOPMENT AND COMMERCIALIZATION AGREEMENTS

MERCK AGREEMENT

Our PEGylation technology was used to develop an improved version of Merck's product, INTRON A. Merck is responsible for marketing and manufacturing the product, PegIntron, worldwide on an exclusive basis and we receive royalties on worldwide sales of PegIntron for all indications. Merck's obligation to pay us royalties on sales of PegIntron terminates, on a country-by-country basis, upon the later of the date on which the last patent to contain a claim covering PegIntron expires in the country or 15 years after the date on which PegIntron was first approved for commercial marketing in such country. Currently, expirations of our right to receive royalties are expected to occur in 2016 in the U.S., 2018 in Europe and 2019 in Japan. The royalty percentage to which we are entitled may be lower in any country where a PEGylated alpha-interferon product is being marketed by a third party in competition with PegIntron where such third party is not Hoffmann-La Roche.

We do not supply Merck with PegIntron or any other materials and our agreement with Merck does not obligate Merck to purchase or sell specified quantities of any product. Further, we have no involvement in the selling or marketing of PegIntron.

In 2007, we sold a 25-percent interest in future royalties payable to us by Merck on sales of PegIntron occurring after June 30, 2007 for a net purchase price of $88.7 million. The royalty sale agreement contained a provision under which we could receive an additional $15.0 million in the first quarter of 2012 if the purchaser received a certain threshold of royalties on net sales of PegIntron occurring from July 1, 2007 through December 31, 2011. This threshold was not reached and no additional payment is due from the purchaser.

SANTARIS PHARMA A/S LICENSE AGREEMENT

We were party to a license and collaboration agreement with Santaris pursuant to which we held exclusive rights worldwide, other than in Europe, to develop and commercialize RNA antagonists directed against the HIF-1 alpha, and Androgen Receptor (AR) targets, as well as RNA antagonists directed against two additional gene targets selected by us which were HER3 and ß-catenin. This agreement provided that any one of the compounds licensed by us from Santaris could be returned to Santaris if the findings of our preclinical or clinical work did not support our continued investment. We returned three of the targets to Santaris during 2011 and one target to Santaris during 2012. The remaining targets were returned to Santaris in October 2013 and the license and collaboration agreement with Santaris was terminated.

Peginterferon alfa 2b was approved for melanoma in March 2011 under the brand name Sylatron®.

NEKTAR AGREEMENT

In January 2002, we entered into a Cross-License and Option Agreement with Nektar pursuant to which we and Nektar provided certain licenses to selected portions of each party's PEGylation patent portfolio. Under this agreement, we granted Nektar the right to grant sub-licenses for a portion of our patents related to our PEGylation technology to third-parties. Effective in January 2007, Nektar's right to grant additional sublicenses was limited to a certain class of our PEGylation technology. Existing sub-licenses granted by Nektar prior to January 2007 were not affected. We will receive a royalty or a share of Nektar's profits for any products that utilize our patented PEGylation technology under a license granted by Nektar. The rights to receive royalties from Nektar agreements relating to CIMZIA, Macugen and OMONTYS expire in 2014 in the U.S. and as late as 2018 in countries outside the U.S. After the expiration of our sublicensed patents, we may be entitled to lesser immunity fees on a country-by-country and product-by-product basis for up to twelve years from the date of first sale of these drugs.

ZHEJIANG HISUN PHARMACEUTICAL CO., LTD. (HISUN)

In May 2012, we entered into a Collaboration Agreement with Zhejiang Hisun Pharmaceutical Co., Ltd. ("Hisun") pursuant to which we licensed to Hisun exclusive development and commercialization rights for PEG-SN38 in China. In consideration for the license, Enzon received an upfront fee of $0.2 million and was entitled to (i) payments based upon the achievement of certain milestones and (ii) royalties based upon net sales for any PEG-SN38 product developed and commercialized in China. Under the terms of this agreement, Enzon retained rights for PEG-SN38 outside of China. The Hisun agreement was assigned to Belrose in April 2013 as part of an asset purchase agreement we entered into with Belrose (see below).

BELROSE

In April 2013, pursuant to the terms of an asset purchase agreement, we sold to Belrose for the sale of all right, title and interest to our Customized PEGylation platform and related assets. The assets included (i) intellectual property and know-how associated with the PEGylation platform, (ii) patents and know-how related to PEG SN-38, (iii) patents and know-how associated with certain of the Company's internal clinical programs and (iv) certain related supplies and equipment. In addition, the Company assigned to Belrose the Company's existing license agreement with Zhejiang Hisun Pharmaceutical Co., Ltd. The asset purchase agreement also entitles the Company to receive from Belrose additional potential payments, including a share of net revenues that may be received from Hisun related to PEG-SN38 rights in China as well as a share of other potential partnering revenues. The achievement of any of these potential payments is uncertain.

COMPETITION

General

Competition in the biotechnology industry is intense and based to a significant degree on scientific and technological factors. These factors include, but are not limited to, the availability of patent and other protection of technology and products, the ability to commercialize products and technological developments, the ability to obtain governmental approval for testing, manufacturing and marketing of products, and the ability to enter into licensing and similar arrangements to facilitate the development of products and meet other business objectives.

PegIntron

PegIntron, marketed by Merck, competes directly with Hoffmann-La Roche's PEGASYS. Merck and Hoffmann-La Roche have been the major competitors in the global interferon alfa market since the approval of their unmodified alpha interferon products, INTRON A and ROFERON-A, respectively, and the PEGylated interferon-based combination therapy is a highly competitive market. On December 6, 2013, the U.S. Food and Drug Administration (FDA) approved Gilead's Sovaldi (sofosbuvir) 400 mg tablets, a once-daily oral nucleotide analog polymerase inhibitor for the treatment of chronic hepatitis C infection as a component of a combination antiviral treatment regimen. Sovaldi was approved in combination with peg-interferon alpha and ribavirin for genotype 1 and 4 patients, and in combination with ribavirin for genotype 2 and 3 patients. On January 17, 2014, the European Commission granted marketing authorization for Sovaldi. We expect that the adoption of Sovaldi will have a negative impact on PegIntron revenues. Furthermore, there are several other novel agents in various stages of preclinical and clinical development for the treatment of hepatitis C which either include or eliminate combination with pegylated interferon. It is possible that this research could lead to other competing products.

Sylatron

PegIntron was approved for melanoma in March 2011 under the brand name Sylatron®. Merck competes with marketed drugs sold by Bayer and by Bristol-Myers Squibb.

Macugen

Macugen, marketed by Valeant and Pfizer Inc., currently competes against several other therapies for the treatment of neovascular (wet) age-related macular degeneration (AMD). Additional treatments for AMD are in various stages of preclinical or clinical testing. If approved, these treatments would also compete with Macugen.

CIMZIA

CIMZIA, which is marketed by UCB, currently competes against therapies for the treatment of moderate to severe rheumatoid arthritis and Crohn's disease. CIMZIA is a biologic medicine that counteracts tumor necrosis factor (or TNF), which promotes inflammation of the joints in rheumatoid arthritis. Other TNF inhibitors approved for the treatment of rheumatoid arthritis include etanercept, infliximab, adalimumab, and golimumab. Infliximab and adalimumab are also used in the treatment of Crohn's disease. Both diseases also have additional approved treatments that are not TNF inhibitors, as well as other treatments in various stages of preclinical or clinical testing. If approved, these treatments would also compete with CIMZIA.

OMONTYS

OMONTYS, co-developed and marketed by Takeda and Affymax, was approved in March 2012 for the treatment of anemia due to chronic kidney disease (CKD) in adult patients on dialysis. OMONTYS competes with erythropoiesis stimulating agents including Epogen and Aranesp which are marketed by Amgen, Inc. On February 23, 2013, Affymax and Takeda announced a nationwide voluntary recall of all lots of OMONTYS (peginesatide) injection to the user level as a result of new postmarketing reports regarding serious hypersensitivity reactions, including anaphylaxis, which can be life-threatening or fatal. This recall will negatively affect our future royalty revenues from OMONTYS.

PEG-SN38

There are a number of drugs in various stages of preclinical and clinical development from companies exploring cancer therapies or improved chemotherapeutic agents to potentially treat the same cancer indications that our PEG-SN38 may be developed to treat. Additionally, there are a number of drugs in development based on the active metabolite SN38. If these drugs are approved, they could compete directly with PEG-SN38. These include products in development from Bristol-Myers Squibb Company, Pfizer Inc., GlaxoSmithKline plc, Antigenics Inc., Hoffman-La Roche Ltd., Novartis AG, Cell Therapeutics, Inc., Neopharm, Inc., Meditech Research Limited and others. Nektar Therapeutics is also developing a PEGylated form of irinotecan. Irinotecan is a pro-drug of SN38. Nektar has reported that this product candidate is currently in Phase III trials.

PATENTS AND INTELLECTUAL PROPERTY RIGHTS

Patents are very important to us in establishing the proprietary rights to the products we have developed or licensed. The patent position of pharmaceutical or biotechnology companies can be uncertain and involve complex legal, scientific and factual questions. If our intellectual property positions are challenged, invalidated or circumvented, or if we fail to prevail in potential future intellectual property litigation, our business could be adversely affected. We have an extensive portfolio of issued U.S. patents and filed applications, many of which have foreign counterparts. Of the patents owned or exclusively licensed by us, one relates to PegIntron. The patent related to PegIntron (peginterferon alfa-2b) is expected to expire in 2015 in the U.S. and internationally in 2018 (including any patent term extensions). Although we believe that our patents provide certain protection from competition, we cannot assure you that such patents will be of substantial protection or commercial benefit to us, will afford us adequate protection from competing products, or will not be challenged or declared invalid. In addition, we cannot assure you that additional U.S. patents or foreign patent equivalents will be issued to us.

Patents for individual products extend for varying periods according to the date of patent filing or grant and the legal term of patents in the various countries where patent protection is obtained. The actual protection afforded by a patent, which can vary from country to country, depends upon the type of patent, the scope of its coverage and the availability of legal remedies in the country.

As part of our sale of assets to Belrose, we assigned our patents relating to PEG technology and our PEG-SN38 clinical candidate to Belrose. As part of our agreement with Santaris, we assigned our rights to our LNA clinical candidates and other LNA compounds to Santaris.

In the field of SCA proteins, we have several U.S. and foreign patents and pending patent applications.

GOVERNMENT REGULATION

Although we are no longer engaged in clinical activities, our patent assignees are subject to various government regulatory processes. The FDA and comparable regulatory agencies in state and local jurisdictions and in foreign countries impose substantial requirements on the clinical development, manufacture, and marketing of pharmaceutical products. These agencies and other federal, state, local and foreign entities regulate research and development activities and the inspection, testing, manufacture, quality assurance, safety, effectiveness, labeling, packaging, storage, distribution, record-keeping, approval, and promotion of products. Drug products require regulatory approval before commercialization. In particular, therapeutic products for human use are subject to rigorous preclinical and clinical testing and other requirements of the Federal Food, Drug, and Cosmetic Act and the Public Health Service Act, implemented by the FDA, as well as similar statutory and regulatory requirements of foreign countries. Obtaining these marketing approvals and subsequently complying with ongoing statutory and regulatory requirements is costly and time consuming. Any failure by us or our collaborators, licensors or licensees to obtain, or any delay in obtaining, regulatory approval or in complying with post-approval requirements, could adversely affect the value of our clinical development platforms to potential acquirers and our ability to receive product or royalty revenues.

The steps required before a new drug or biological product may be distributed commercially in the U.S. generally include:

- conducting appropriate preclinical laboratory evaluations of the product's chemistry, formulation and stability, and animal studies to assess the potential safety and efficacy of the product,
- submitting the results of these evaluations and tests to the FDA, along with manufacturing information, analytical data and clinical investigational plan, in an IND,
- obtaining IND acceptance from the FDA, which may require the resolution of any safety or regulatory concerns of the FDA,
- obtaining approval of Institutional Review Boards or IRBs, prior to introducing the drug or biological product into humans in clinical trials and registering clinical trials in public databases such as clinicaltrials.gov,
- conducting adequate and well-controlled human clinical trials that establish the safety and efficacy of the drug or safety, purity and potency of the biological product candidate for the intended use, in the following three typically sequential, stages:

  Phase I. The product candidate is initially introduced into healthy human subjects or patients and tested for safety, increased dose tolerance, and possibly absorption, distribution, metabolism and excretion,

  Phase II. The product candidate is studied in patients with the targeted condition to gain safety experience at the proposed dosing schedules, identify possible adverse effects and safety risks to determine the optimal dosage, and to obtain initial information on effectiveness of the product candidate,

  Phase III. The product candidate is studied in an expanded patient population at multiple clinical trial sites to determine primary efficacy and safety endpoints identified at the start of the clinical trial,

- submitting the results of preliminary research, preclinical studies, and clinical studies as well as chemistry, manufacturing and control information on the drug or biological product to the FDA in a New Drug Application or NDA, for a drug product, or a BLA for a biological product, and
- obtaining FDA approval of the NDA or BLA prior to any commercial sale or shipment of the drug or biological product.

An NDA or BLA must contain, among other things, data derived from non-clinical laboratory studies and clinical trials which demonstrate that the product is safe and effective and for a biological product that it meets prescribed standards of safety, purity and potency, and a full description of manufacturing methods. Biological or drug products may not be marketed in the U.S. until approval by the FDA of an NDA or BLA is received.

The approval process can take a number of years, if approval is obtained at all, and often requires substantial financial resources, including license application fees. The results of preclinical studies and initial clinical trials are not necessarily predictive of the results from large-scale clinical trials, and clinical trials may be subject to additional costs, delays or modifications due to a number of factors, including the difficulty in obtaining enough patients, clinical investigators, drug supply, or financial support. Certain clinical trials performed under an IND must be registered in the official clinical trial website, and non-compliance can result in significant fines. The FDA has the power to impose changes relating to safety and efficacy of approved products. The FDA can impose substantial fines if these requirements are not carried out to the agency's full satisfaction. Upon approval, a drug product or biological product may be marketed only in those dosage forms and for those indications approved in the NDA or BLA.

In addition to obtaining FDA approval for each indication for which the manufacturer may market the drug, each domestic drug product manufacturing establishment must register with the FDA, list its drug products with the FDA, comply with and maintain current Good Manufacturing Practices (cGMP) and permit and pass inspections by the FDA and other regulatory authorities. Moreover, the submission of applications for approval may require the preparation of large-scale production batches that cannot be used commercially and additional time to complete manufacturing stability studies.

Any products manufactured or distributed by our licensees pursuant to FDA approvals are subject to extensive continuing regulation by the FDA, including record-keeping requirements and a requirement to report adverse experiences with the product. In addition to continued compliance with standard regulatory requirements, the FDA also may require post-marketing testing and surveillance to monitor the safety and efficacy of the marketed drug product. Product approvals may be withdrawn if compliance with regulatory requirements is not maintained or if problems concerning safety or efficacy of the product are discovered following approval.

The Federal Food, Drug, and Cosmetic Act mandates that drug products be manufactured consistent with cGMP. In complying with the FDA's regulations on cGMP, manufacturers must continue to spend time, money and effort in production, record-keeping, quality control, quality assurance, and auditing to ensure that the marketed drug product meets applicable specifications and other requirements. The FDA periodically inspects drug product manufacturing facilities to ensure compliance with cGMP. Failure to comply with cGMP or other FDA requirements subjects the manufacturer to possible FDA action, such as:

- untitled and warning letters,
- suspension of manufacturing,
- seizure of a product,
- voluntary recall of a product,
- injunctive actions and
- civil or criminal penalties.

Even after FDA approval has been obtained, and often as a condition to expedited approval, further studies, including post-marketing studies, are typically required by the FDA. Results of post-marketing studies may limit or expand the further marketing of the products. If the developer of a product proposes any modifications to the product, including changes in indication, manufacturing or testing processes, manufacturing facility or labeling, an NDA or BLA supplement may be required to be submitted to and approved by the FDA.

Products manufactured in the U.S. for distribution abroad will be subject to FDA regulations regarding export, as well as to the requirements of the country to which they are shipped. These latter requirements apply to products studied in clinical trials, the submission of marketing applications, and all aspects of product manufacture and marketing. Such requirements vary significantly from country to country. As part of our strategic relationships, our collaborators may be responsible for the foreign regulatory approval process of our products, although we may be legally liable for noncompliance.

We cannot predict the extent of government regulation that might result from current or future legislation or administrative action. Moreover, we anticipate that the presidential administration, Congress, state legislatures and the private sector will continue to review and assess controls on health care spending. Any such proposed or actual changes could cause our collaborators to limit or eliminate spending on development projects and may otherwise impact us. We cannot predict the likelihood, nature or extent of adverse governmental regulation that might result from current or future legislative or administrative action, either in the U.S. or abroad. Additionally, in both domestic and foreign markets, sales of our proposed products will depend, in part, upon the availability of reimbursement from third-party payors, such as government health administration authorities, managed care providers, private health insurers and other organizations. Significant uncertainty often exists as to the reimbursement status of newly approved health care products. In addition, third-party payors are increasingly challenging the price and cost-effectiveness of medical products and services.

PegIntron has been approved for treatment of hepatitis C in the European Union, the U.S., Japan and China, and for the treatment of hepatitis B in China. None of the product candidates we were developing prior to the substantial suspension of our clinical development activities were approved for marketing in the U.S. or elsewhere.

With respect to patented products, delays imposed by the government approval process may materially reduce the period during which we will have the exclusive right to exploit them.

EMPLOYEES

As of December 31, 2013 and as of the date of this report, we had one employee. Our sole employee is not covered by a collective bargaining agreement. Our sole employee is covered by a confidentiality agreement. We consider our relations with our sole employee to be good. Our executive officers provide services to us on a consulting basis.

Management Update

On February 28, 2013, the employment of Aby Buchbinder, who was then serving as our Vice President, Clinical Development, concluded.

On August 9, 2013, the employment of Timothy G. Daly, who was then serving as our Vice President, Controller and Chief Accounting Officer, concluded.

On November 30, 2013, the employment of Andrew Rackear, who was then serving as our Vice President & General Counsel and Corporate Secretary, concluded. Mr. Rackear entered into a separation agreement, pursuant to which he continues to provide consulting services to the Company.

On December 13, 2013, our Board of Directors approved, and the Company and Richard L. Feinstein entered into, an independent contractor agreement, pursuant to which Mr. Feinstein was appointed to serve as the Company's Vice President - Finance and Principal Financial Officer, as an independent contractor.

On December 31, 2013, George W. Hebard III ceased to be an employee of the Company. Pursuant to the terms of a separation agreement that was entered into on December 13, 2013, Mr. Hebard continues to serve as our Interim Principal Executive Officer and Interim Chief Operating Officer on a consulting basis.

Item 1A. Risk Factors

Throughout this Annual Report on Form 10-K, we have made forward-looking statements in an attempt to better enable the reader to understand our future prospects and make informed judgments. By their nature, forward-looking statements are subject to numerous factors that may influence outcomes or even prevent their eventual realization. Such factors may be external to the Company and entirely outside our control.

We cannot guarantee that our assumptions and expectations will be correct. Failure of events to be achieved or of certain underlying assumptions to prove accurate could cause actual results to vary materially from past results and those anticipated or projected. We do not intend to update forward-looking statements.

Certain risks and uncertainties are discussed below. However, it is not possible to predict or identify all such factors. Accordingly, you should not consider this recitation to be complete.

Risks Relating to the Company and its Operations

Our Board of Directors may decide in the future to pursue a dissolution and liquidation of the Company.

As previously announced in April 2013, our sale review process did not result in the sale of the Company. Our Board of Directors could decide in the future that a dissolution and liquidation of the Company would be in the best interests of the Company and its stockholders. If our Board of Directors were to approve and recommend, and our stockholders were to approve, a dissolution and liquidation of the Company, we would be required under Delaware corporate law to pay our outstanding obligations, as well as to make reasonable provision for contingent and unknown obligations, prior to making any distributions in liquidation to our stockholders. Our commitments and contingent liabilities may include (i) various claims and legal actions arising in the ordinary course of business and (ii) non-cancelable lease obligations. As a result of this requirement, a portion of our assets may need to be reserved pending the resolution of such obligations. In addition, we may be subject to litigation or other claims related to a dissolution and liquidation of the Company. If a dissolution and liquidation were pursued, our Board of Directors, in consultation with its advisors, would need to evaluate these matters and make a determination about a reasonable amount to reserve. Accordingly, if a dissolution and liquidation were pursued, we cannot be certain of the amount and/or timing of any distributions to our stockholders. In addition, if a dissolution and liquidation were pursued, our common stock would cease to trade on the effective date of the filing of the certificate of dissolution and we would close our stock transfer books and discontinue recording transfers of our common stock at that time. Accordingly, if a dissolution and liquidation were pursued, the price and liquidity of our common stock may be adversely affected.

We derive most of our royalty revenues from continued sales of PegIntron, which have been in decline since 2008, and if sales of PegIntron continue to decline or sales of other drug products for which we receive royalty revenues materially decline, our results of operations and financial position could be materially harmed.

We derive most of our royalty revenues from continued sales of PegIntron, which is marketed by Merck. Royalty revenues from sales of PegIntron accounted for approximately 87%, 93% and 94% of our total royalty revenues in 2013, 2012 and 2011, respectively. Sales of PegIntron have been in decline since 2008. As a consequence, a continued decline in the sales of PegIntron could adversely affect our operating results and financial position. Merck reported that worldwide sales of PegIntron declined 24% to $496 million in 2013 compared with 2012 reflecting declines in all regions and that it believes the sales declines are attributable in part to patient treatment being delayed by health care providers in anticipation of new therapeutic options becoming available. We cannot assure you that Merck will continue to generate sales of PegIntron at levels that would enable us to receive royalties in amounts that are comparable with the amounts of royalties that we have received in recent years. The amount and timing of resources dedicated by Merck to the marketing of PegIntron is not within our control. Our royalty revenues will be negatively affected if sales of PegIntron are limited for any reason, including if Merck cannot market PegIntron effectively as a result of competitive, manufacturing, regulatory or other issues.

Products that compete with PegIntron have been and potentially will be introduced by other drug manufacturers. Hoffmann-La Roche's PEGASYS, a competing PEGylated interferon alfa, has resulted in significant competitive pressure on PegIntron sales in the U.S. and all international markets. PEGASYS has taken market share away from PegIntron and the overall market for PEGylated alpha-interferon for the treatment of hepatitis C has been contracting. As a result, sales of PegIntron in certain markets where it competes with PEGASYS and the royalties we receive on those sales have declined. We cannot assure you that PEGASYS will not continue to gain market share at the expense of PegIntron which could result in lower PegIntron sales and lower royalties to us.

On December 6, 2013, the FDA approved Gilead's Sovaldi (sofosbuvir) 400 mg tablets, a once-daily oral nucleotide analog polymerase inhibitor for the treatment of chronic hepatitis C infection as a component of a combination antiviral treatment regimen. Sovaldi was approved in combination with peg-interferon alpha and ribavirin for genotype 1 and 4 patients, and in combination with ribavirin for genotype 2 and 3 patients. On January 17, 2014, the European Commission granted marketing authorization for Sovaldi. We expect that the adoption of Sovaldi will have a negative impact on PegIntron revenues. There are several novel agents in various stages of preclinical and clinical development for the treatment of hepatitis C, which either include or eliminate combination with pegylated interferon-based therapies. It is possible that this research could lead to a competing product or ultimately to interferon-free combination therapy in the future.

We may not be able to sustain profitability and we may incur losses over the next several years.

We have incurred losses in the past and have limited sources of revenues. Our revenues and operating results will likely fluctuate in future periods due to variations in our royalty revenues. We expect to continue to incur operating expenses and anticipate that we could have significant expenses in the foreseeable future. In addition, if our Board of Directors decides in the future to pursue a dissolution and liquidation of the Company, the implementation of any transaction that might result from any such dissolution or liquidation process, which could further reduce our existing capital, including legal and financial advisor fees or related actions could involve incurring material expenses.

Our rights to receive royalties on sales of PegIntron and sales of other drug products will eventually expire and we currently do not intend on acquiring new sources of royalty revenues.

Merck's obligation to pay us royalties on sales of PegIntron terminates, on a country-by-country basis, upon the later of the date on which the last patent to contain a claim covering PegIntron expires in the country or 15 years after the date on which PegIntron was first approved for commercial marketing in such country. Currently, expirations of our right to receive royalties on sales of PegIntron are expected to occur in 2016 in the U.S., 2018 in Europe and 2019 in Japan. Our rights to receive royalties under our agreement with Nektar relating to CIMZIA and Macugen expire in 2014 in the U.S. and as late as 2018 in countries outside the U.S. We currently do not intend on acquiring new sources of royalty revenues. As a result, following expirations of our rights to receive royalties on sales of PegIntron and sales of other drug products, we may not have sufficient revenues to continue operations.

If we do not realize the expected benefits from the reduction in our workforce that was completed in 2013 and from future cost savings initiatives that we may implement, the value of the Company and our assets and the market price of our common stock could materially decline.

In December 2012, we announced a plan to reduce our workforce by approximately 15-20 employees, and in March 2013, we announced a plan to further reduce our workforce from 19 employees to 12 employees. As of the date of this report, we have one employee. We cannot guarantee that we will be able to realize additional cost savings and other anticipated benefits from our recent reductions in force.

As a result of the reduction in our workforce that was completed in 2013, we have reallocated certain employment responsibilities and outsourced certain corporate functions, which make us more dependent on third-parties to perform these corporate functions.

As a result of the reduction in our workforce that was completed in 2013, we have outsourced certain corporate functions, which make us more dependent on third-parties for the performance of these functions. In addition, this reduction in our workforce has had a negative impact on our ability to maintain effective internal control over financial reporting and effective disclosure controls and procedures. To the extent that we are unable to effectively reallocate employee responsibilities, retain key employees as consultants, maintain effective internal control over financial reporting and effective disclosure controls and procedures, establish and maintain agreements with competent third-party contractors on terms that are acceptable to us, or effectively manage the work performed by any retained third-party contractors, our ability to manage the operations of our business effectively could be compromised.

We may be subject to a variety of types of product liability or other claims based on allegations that the use of our product candidates by participants in our clinical trials has resulted in adverse effects, and our insurance may not cover all product liability or other claims.

We may face liability claims related to the use or misuse of our product candidates in previously conducted clinical trials. These claims may be expensive to defend and may result in large judgments against us. Any such claims against us, regardless of their merit, might result in significant costs to defend or awards against us, and our insurance coverage and resources may not be sufficient to satisfy any liability resulting from such claims. A successful product liability or other claim brought against us could cause the market price of our common stock to decline and, if judgments exceed our insurance coverage, could decrease our cash and materially harm our business, financial condition or results of operations.

We depend on patents and proprietary rights, which may offer only limited protection against potential infringement and the development of competing products.

The pharmaceutical industry places considerable importance on obtaining patent and trade secret protection for new technologies, products and processes. If we are unable to obtain and enforce patent protection for our product candidates or to maintain the confidentiality of our trade secrets, the value of our intellectual property portfolio could be harmed. We have an extensive portfolio of issued U.S. patents and filed applications, many of which have foreign counterparts. Although we believe that our patents provide certain protection from competition, such patents may not provide substantial protection or commercial benefit to us, or afford us adequate protection from competing products, and may be challenged or declared invalid. In addition, U.S. patents or foreign patent equivalents may not be issued to us in the future.

Issued patents may be challenged, invalidated or circumvented. In addition, court decisions may introduce uncertainty as to the enforceability or scope of patents owned by biotechnology and pharmaceutical companies, including us. The legal systems of certain countries do not favor the aggressive enforcement of patents, and the laws of foreign countries may not protect our rights to the same extent as the laws of the U.S. Therefore, enforceability or scope of our patents in the U.S. or in foreign countries cannot be predicted with certainty, and, as a result, any patents that we own or license may not provide sufficient protection against competitors. In addition, we may not be able to obtain or maintain a patent from our pending patent applications, those we may file in the future, or those we may license from third parties.

We believe that our patent rights are enforceable. However, those rights may prove unenforceable or invalid, or will expire. If we are not able to protect our patent positions, our financial condition and results of operations could be adversely affected, which could adversely affect the market value of our common stock. We may become aware that certain organizations are engaging in activities that infringe certain of our patents. We may be unable to enforce our patents and other rights against such organizations.

Legal or administrative proceedings may be necessary to enforce our intellectual property rights or to defend against claims of infringement. We have in the past been involved in patent litigation and other proceedings and we may likely become involved in additional patent litigation or proceedings in the future. If we become involved in any such litigation or proceeding, irrespective of the outcome, we may incur substantial costs, the efforts of our technical and management personnel may be diverted, and such disputes could substantially delay or prevent our product development or commercialization activities, which could materially harm our business, financial condition and results of operations.

We are party to license and other collaboration agreements that contain complex commercial terms that could result in disputes, litigation or indemnification liability that could cause the value of the Company and our assets and the market price of our common stock to decline.

We are party to license, collaboration and other agreements with biotechnology and pharmaceutical companies. These agreements contain complex commercial terms, including royalties on drug sales based on a number of complex variables (including net sales calculations, geography, scope of patent claim coverage, patent life and other factors) and indemnification obligations. From time to time, we may have dispute resolution discussions with third parties regarding the appropriate interpretation of the complex commercial terms contained in our agreements. One or more disputes may arise or escalate in the future regarding our agreements that may ultimately result in costly litigation and unfavorable interpretation of contract terms, which could cause the value of the Company and our assets and the market price of our common stock to decline.

We are party to license agreements whereby we may receive royalties from products subject to regulatory approval.

Our licensees may be unable to maintain regulatory approvals for currently licensed products or obtain regulatory approvals for new products. Safety issues could also result in the failure to maintain regulatory approvals or decrease revenues.

Risks Relating to Our Common Stock

The price of our common stock has been, and may continue to be, volatile.

Historically, the market price of our common stock has fluctuated over a wide range, and it is likely that the price of our common stock will continue to be volatile in the future. The market price of our common stock could be impacted due to a variety of factors, including, in addition to global and industry-wide events:

- the level of revenues we generate from royalties we receive;
- changes in our business strategy;
- the losses we may incur;
- developments in patent or other proprietary rights owned or licensed by us, our collaborative partners or our competitors;
- public concern as to the safety and efficacy of products developed by us or others; and
- litigation.

In addition, due to one or more of the foregoing factors in one or more future quarters, our results of operations may fall below the expectations of securities analysts and investors. In that event, the market price of our common stock could materially decline.

The declaration of dividends is within the discretion of our Board of Directors, subject to any applicable limitations under Delaware corporate law. Our ability to pay dividends in the future depends on, among other things, our future royalty revenues, which are expected to decrease over time, as well as our ability to manage expenses, including costs relating to our ongoing operations.

In April 2013, we announced that our Board of Directors intends to distribute excess cash, expected to arise from ongoing royalty revenues, in the form of periodic dividends to our stockholders. In June and December 2013, respectively, the Company paid special dividends of $1.60 and $0.45 per share. The declaration of dividends is within the discretion of our Board of Directors, subject to any applicable limitations under Delaware corporate law, and therefore our Board of Directors could decide in the future not to declare dividends. In addition, our ability to pay dividends in the future depends on, among other things, our future revenues from existing royalties and our ability to manage expenses, including costs relating to our ongoing operations. Our future revenues from existing royalties are expected to decrease over time (and eventually cease altogether) due to eventual expirations over time of our right to receive royalties under the terms of our existing licensing arrangements. Future revenues from existing royalties may also decline due to decreases in the sales of the drug products for which we have the right to receive royalties. There is no assurance that we will have sufficient royalty revenues to be able to pay dividends in the future. Any inability to pay dividends could cause the market price of our common stock to decline significantly

Events with respect to our capital stock could cause the number of shares of our common stock outstanding to increase and thereby cause our stockholders to suffer significant dilution.

Sales of substantial amounts of our common stock in the open market, or the availability of such shares for sale, could adversely affect the market price of our common stock. As of December 31, 2013, we had 44,085,870 shares of common stock outstanding. As of that date, the following securities that may be exercised for, or are convertible into, shares of our common stock were outstanding:

- Options. Stock options to purchase 2.1 million shares of our common stock at a weighted average exercise price of approximately $6.90 per share.
- Restricted stock units. Approximately 0.2 million shares of our common stock are issuable in respect of outstanding restricted stock units held by officers, employees and directors.

The shares of our common stock issuable upon the exercise of options and the settlement of restricted stock are currently registered under the Securities Act of 1933, as amended, and, therefore, once those shares of common stock are issued, they may be eligible for public resale. As a result, if a large number of shares of our common stock are sold into the public market, or if there is an expectation of such sales, these sales or expectations of these sales could cause the market price of our common stock to decline.

Anti-takeover provisions in our charter documents and under Delaware corporate law may make it more difficult to acquire us, even though such acquisitions may be beneficial to our stockholders.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware corporate law, could make it more difficult for a third party to acquire us, even though such acquisitions may be beneficial to our stockholders. These anti-takeover provisions include:

- lack of a provision for cumulative voting in the election of directors;
- the ability of our board to authorize the issuance of "blank check" preferred stock to increase the number of outstanding shares and thwart a takeover attempt;
- advance notice requirements for nominations for election to the board of directors or for proposing matters that can be acted upon by stockholders at stockholder meetings; and
- limitations on who may call a special meeting of stockholders.

The provisions described above and provisions of Delaware corporate law relating to business combinations with interested stockholders may discourage, delay or prevent a third party from acquiring us. These provisions may also discourage, delay or prevent a third party from acquiring a large portion of our securities, or initiating a tender offer, even if our stockholders might receive a premium for their shares in the acquisition over the then current market price. We also have agreements with our executive officers that provide for change of control severance benefits which provides for cash severance, restricted stock, restricted stock units and option award vesting acceleration and other benefits in the event our employees are terminated (or, in some cases, resign for specified reasons) following an acquisition or other change in control. These agreements could discourage a third party from acquiring us.

The issuance of preferred stock may adversely affect rights of our common stockholders.

Under our certificate of incorporation, our board of directors has the authority to issue up to three million shares of "blank check" preferred stock and to determine the price, rights, preferences and privileges of those shares without any further vote or action by our stockholders. The rights of the holders of common stock will be subject to the rights of the holders of any shares of preferred stock that may be issued in the future. In addition to discouraging a takeover, as discussed above, this "blank check" preferred stock may have rights, including economic rights senior to the common stock, and, as a result, the issuance of such preferred stock could have a material adverse effect on the market value of our common stock.

A small number of stockholders own a large percentage of our common stock and can influence the outcome of matters submitted to our stockholders for approval.

A small number of our stockholders own a large percentage of our common stock and can therefore influence the outcome of matters submitted to our stockholders for approval. Based on information known to us as of the date of this report, our four largest stockholders collectively control approximately 37.8% of our outstanding common stock. As a result, these stockholders collectively have the ability to influence the outcome of matters submitted to our stockholders for approval. These stockholders may support proposals and actions with which you may disagree. The concentration of ownership could also delay or prevent a change in control of the Company or otherwise discourage a potential acquirer from attempting to obtain control of the Company, which in turn could cause the market price of our common stock to decline.

If we are unable to satisfy the continued listing requirements of The NASDAQ Stock Market, our common stock could be delisted and the price and liquidity of our common stock may be adversely affected.

Our common stock may lose value and our common stock could be delisted from NASDAQ due to several factors or a combination of such factors. While our common stock is currently listed on The NASDAQ Stock Market, there can be no assurance that we will be able to maintain such listing. To maintain the listing of our common stock on The NASDAQ Stock Market, we are required to meet certain listing requirements, including, among others, a requirement to maintain a minimum closing bid price of $1.00 per share. If our common stock trades below the $1.00 minimum closing bid price requirement for 30 consecutive business days or if we do not meet other listing requirements, we may be notified by NASDAQ of non-compliance. Our common stock recently closed below $1.00 per share on January 27, 2014 and has been closing at or below $1.00 per share since that date. In addition, the payment of future dividends, if any, to our stockholders, together with eventual expirations over time of our right to receive royalties under the terms of our existing licensing arrangements, would be expected to result in a reduction over time in the per-share trading price of our common stock. If the price per share of our common stock were to fall below NASDAQ listing standards, our common stock may be delisted. If we are notified by NASDAQ of non-compliance with the $1.00 minimum closing bid price requirement, we would regain compliance if our common stock trades above $1.00 per share for ten consecutive business days during the 180 days following notice of non-compliance. To increase the per share trading price of our common stock, we may decide to seek to implement a reverse stock split. However, there can be no assurance that we would pursue a reverse stock split or be able to obtain the approvals necessary to effect a reverse stock split. In addition, there can be no assurance that, following any reverse stock split, the per share trading price of our common stock would remain above $1.00 per share or that we would be able to continue to meet other listing requirements. If our common stock is delisted, market liquidity for our common stock could be severely affected and our stockholders' ability to sell their shares of our common stock could be limited. In addition, our common stock could be subject to "penny stock" rules which impose additional disclosure requirements on broker-dealers and could further negatively impact our market liquidity for our common stock and our stockholders' ability to sell their shares of our common stock. Accordingly, a delisting of our common stock from NASDAQ would negatively affect the value of our common stock. Delisting could also have other negative results, including, but not limited to, the loss of institutional investor interest.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

We currently lease the following facility:

Location	Principal Operations	Approx. Square Footage	Approx. Annual Rent	Lease Expiration
20 Kingsbridge Road Piscataway, New Jersey	Executive offices	56,000	$ 703,000(1)	July 31, 2021

(1) Under the terms of the lease, annual rent increases over the remaining term of the lease from $703,000 to $773,000.

We believe that our facility is well maintained and generally adequate for our present and anticipated future needs.

In September 2013, we entered into a sublease agreement, which was amended and restated in November 2013, with Axcellerate, pursuant to which we sublease to Axcellerate a portion of our premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas. The term of the sublease commenced on November 14, 2013 and will expire on July 30, 2021. The monthly fixed rent payable by Axcellerate to us under the sublease is as follows: (i) in year one, $10,417, (ii) in year two, $15,625, (iii) in year three, $20,833, (iv) in year four, $26,042 and (v) in each of years five through eight, $35,000. The sublease also provides for Axcellerate to pay additional rent to cover its applicable share of real estate taxes, operating expenses, sewer and gas usage, water usage, electricity usage and certain other charges incurred by Axcellerate.

We currently own no real property.

Item 3. Legal Proceedings

From time to time, we are engaged in litigation arising in the ordinary course of our business. There is currently no pending material litigation to which we are a party or to which any of our property is subject.

Item 4. Mine Safety Disclosures

Not applicable.

PART II.

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Market Information

Our common stock is traded on The NASDAQ Stock Market under the trading symbol "ENZN".

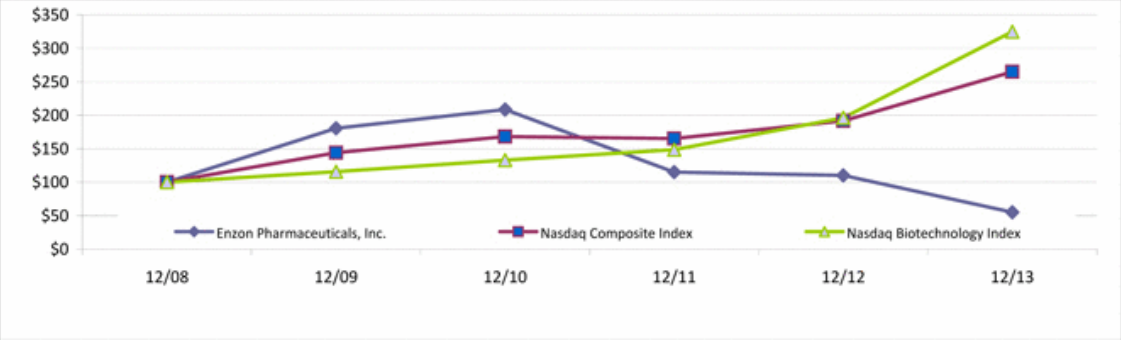
The following table sets forth the high and low sale prices for our common stock during the years ended December 31, 2013 and December 31, 2012 as reported by The NASDAQ Stock Market. The quotations shown represent inter-dealer prices without adjustment for retail markups, markdowns or commissions, and may not necessarily reflect actual transactions.

	High	Low
Year Ended December 31, 2013		
First Quarter	$ 4.99	$ 3.79
Second Quarter (1)	3.95	1.60
Third Quarter	2.08	1.68
Fourth Quarter (2)	1.75	1.15
Year Ended December 31, 2012		
First Quarter	$ 7.87	$ 6.48
Second Quarter	7.17	5.79
Third Quarter	7.27	6.26
Fourth Quarter (3)	7.47	4.27

(1) On June 4, 2013, we paid a special cash dividend of $1.60 per share of common stock.
(2) On December 23, 2013, we paid a special cash dividend of $0.45 per share of common stock.
(3) On December 21, 2012, we paid a special cash dividend of $2.00 per share of common stock.

Performance Graph

The following graph compares the percentage change in cumulative total stockholder return on our common stock for our fiscal years ended December 31, 2009 through December 31, 2013 with the cumulative total return over the same period of (i) the Nasdaq Composite Index and (ii) the Nasdaq Biotechnology Index.



Total Return To Shareholders

The comparison below displays the annual percentage return in an investment in our common stock, the Nasdaq Composite Index and the Nasdaq Biotechnology Index, and assumes reinvestment of dividends, if any. Historical stock prices are not indicative of future stock price performance.

	ANNUAL RETURN PERCENTAGE Years Ending				
Company / Index	**12/09**	**12/10**	**12/11**	**12/12**	**12/13**
Enzon Pharmaceuticals, Inc.	80.62	15.48	-44.90	-4.03	-50.32
Nasdaq Composite Index	43.89	16.91	-1.80	15.91	38.32
Nasdaq Biotechnology Index	15.63	15.01	11.81	31.91	65.61

The comparison below assumes $100 was invested on December 31, 2008 in our common stock, the Nasdaq Index and the Nasdaq Biotechnology Index, and assumes reinvestment of dividends, if any. Historical stock prices are not indicative of future stock price performance.

		INDEXED RETURNS Years Ending				
Company / Index	**Base Period 12/08**	**12/09**	**12/10**	**12/11**	**12/12**	**12/13**
Enzon Pharmaceuticals, Inc.	100	180.64	208.58	114.92	110.29	55.06
Nasdaq Composite Index	100	143.89	168.22	165.19	191.47	264.84
Nasdaq Biotechnology Index	100	115.63	132.98	148.69	196.12	324.80

Holders

As of March 6, 2014, there were 1,091 holders of record of our common stock.

Dividends

In April 2013, we announced that our Board of Directors intends to distribute excess cash, expected to arise from ongoing royalty revenues, in the form of periodic dividends to our stockholders. The declaration of dividends is within the discretion of our Board of Directors, subject to any applicable limitations under Delaware corporate law, and therefore our Board of Directors could decide in the future not to declare dividends. In addition, our ability to pay dividends in the future depends on, among other things, our future revenues from existing royalties and our ability to manage expenses, including costs relating to our ongoing operations.

On April 23, 2013, our Board of Directors declared a special cash dividend of $1.60 per share of common stock. This special cash dividend was paid on June 4, 2013 to stockholders of record as of May 7, 2013.

On December 5, 2013, our Board of Directors declared a special cash dividend of $0.45 per share of common stock. This special cash dividend was paid on December 23, 2013 to stockholders of record as of December 16, 2013.

Repurchase of Equity Securities

Common Stock

In December 21, 2010, our Board of Directors had authorized a share repurchase program under which we are authorized to repurchase up to $200.0 million of our outstanding common stock. Since the inception of this share repurchase program, the cumulative number of shares repurchased and retired through December 31, 2013 amounts to 16,174,578 shares at a total cost of $153.4 million, or an average cost per share of approximately $9.48.

Since December 2012, we have suspended repurchases under the share repurchase program and do not currently intend to resume repurchases under the share repurchase program. Accordingly, no shares were repurchased in 2013.

Item 6. Selected Financial Data

The following selected financial data for the years ended December 31, 2013, 2012, 2011, 2010, and 2009 are derived from our audited consolidated financial statements. The selected financial data set forth below should be read in conjunction with our consolidated financial statements and the related notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this report.

	For the Year Ended December 31,				
	2013	2012	2011	2010	2009
	(in thousands, except per share data)				
Consolidated Statement of Operations Data: [1]					
Total revenues [1]	$ 34,493	$ 42,600	$ 48,072	$ 97,865	$ 51,408
Research and development – pipeline	2,715	20,892	40,180	49,883	45,639
Other operating expenses	13,619	14,411	24,347	48,557	62,862
Impairment of property and equipment	-	11,263	-	-	-
Operating income (loss)	18,159	(3,966)	(16,455)	(575)	(57,093)
Investment income, net	534	2,578	1,735	3,465	4,312
Interest expense	(2,124)	(5,330)	(5,929)	(6,315)	(11,514)
Other, net, including investment impairment	1,553	(200)	91	288	5,008
Income tax benefit (expense)	28	4,135	(205)	337	2,085
Income (loss) from continuing operations	18,150	(2,783)	(20,763)	(2,800)	(57,202)
Income and gain from discontinued operations, net of income tax [1]	-	-	-	180,043	57,885
Net income (loss) income	$ 18,150	$ (2,783)	$ (20,763)	$ 177,243	$ 683
Income (loss) per common share - continuing operations:					
Basic	$ .41	$ (.06)	$ (.40)	$ (.05)	$ (1.26)
Diluted	$ .38	$ (.06)	$ (.40)	$ (.05)	$ (1.26)
Income per common share - discontinued operations:					
Basic	$ -	$ -	$ -	$ 3.08	$ 1.28
Diluted [3]	$ -	$ -	$ -	$ 3.08	$ 1.28
Income (loss) per common share					
Basic	$ .41	$ (.06)	$ (.40)	$ 3.03	$ 0.02
Diluted [3]	$ .38	$ (.06)	$ (.40)	$ 3.03	$ 0.02
Special cash dividend paid per common share	$ 2.05	$ 2.00	$ -	$ -	$ -

	As of December 31,				
	2013	2012	2011	2010	2009
	(in thousands)				
Consolidated Balance Sheet Data:					
Total current assets [1]	$ 7,121	$ 198,643	$ 165,261	$ 434,616	$ 145,212
Total current liabilities [2]	1,308	122,313	15,264	18,387	24,997
Total assets [1]	7,121	199,781	343,209	488,857	332,749
Notes payable [2]	-	-	129,499	134,499	250,050
Total stockholders' equity [3]	5,255	77,467	197,181	331,857	53,283

(1) In January 2010, we sold our former specialty pharmaceutical business comprised principally of our former products and contract manufacturing segments. For financial reporting purposes, beginning in 2010, the operations and cash flows of our former products and contract manufacturing segments were eliminated from our continuing operations and classified as discontinued operations. Accordingly, prior-year statement of operations information has been reclassified to segregate the revenues and expenses of the divested business from our continuing operations. The sale generated net cash proceeds of approximately $308.0 million, including $40.9 million of revenues from the sale of in-process research and development (reported as revenues in continuing operations). The net gain on the sale, excluding the revenues from the sale of in-process research and development, was $176.4 million (reported as income and gain from discontinued operations).

(2) For 2012, notes payable of $115,849 is classified as current in the consolidated balance sheet in view of the repayment date of June 1, 2013.

(3) In a period in which a loss from continuing operations is reported, all other computations of diluted per-share amounts for that period must be made exclusive of potential dilutive shares. For this reason diluted earnings per share for continuing and discontinued operations and net (loss) income are the same as basic (loss) earnings per share.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our financial condition and results of operations should be read together with our consolidated financial statements and notes to those statements included elsewhere in this Annual Report on Form 10-K.

Forward-Looking Information and Factors That May Affect Future Results

The following discussion contains forward-looking statements within the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. All statements contained in the following discussion, other than statements that are purely historical, are forward-looking statements. Forward-looking statements can be identified by the use of forward-looking terminology such as "believes," "expects," "may," "will," "should," "potential," "anticipates," "plans," or "intends" or the negative thereof, or other variations thereof, or comparable terminology, or by discussions of strategy. Forward-looking statements are based upon management's present expectations, objectives, anticipations, plans, hopes, beliefs, intentions or strategies regarding the future and are subject to known and unknown risks and uncertainties that could cause actual results, events or developments to be materially different from those indicated in such forward-looking statements, including the risks and uncertainties set forth in Item 1A. Risk Factors. These risks and uncertainties should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. As such, no assurance can be given that the future results covered by the forward-looking statements will be achieved.

The percentage changes throughout the following discussion are based on amounts stated in thousands of dollars and not the rounded millions of dollars reflected in this section.

Overview

We receive royalty revenues from existing licensing arrangements with other companies primarily related to sales of six marketed drug products, namely, PegIntron®, Sylatron®, Macugen®, CIMZIA®, Oncaspar and Adagen. The primary source of our royalty revenues is sales of PegIntron, which is marketed by Merck. We currently have no clinical operations and limited corporate operations. Royalty revenues from sales of PegIntron accounted for approximately 87%, 93% and 94% of our total royalty revenues in 2013, 2012 and 2011, respectively.

We were previously dedicated to the research and development of innovative therapeutics for patients with high unmet medical needs. In December 2012, we announced that our Board of Directors retained Lazard to act as financial advisor in a review of the possible sale or disposition of one or more corporate assets or a sale of our company and that our Board of Directors established a special committee to oversee our sale review process. In connection with our sale review process, we substantially suspended all clinical development activities with a goal of conserving capital and maximizing value returned to our stockholders. In April 2013, we announced that we had concluded a review of the sale or disposition of one or more corporate assets or a sale of our company. The review did not result in a definitive offer to acquire our company or all or substantially all of our assets. In the same announcement, we also announced that our Board of Directors intends to distribute excess cash, expected to arise from ongoing royalty revenues, in the form of periodic dividends to stockholders.

In April 2013, we entered into an asset purchase agreement with Belrose for the sale of all right, title and interest to our Customized PEGylation platform and related assets. The assets included (i) intellectual property and know-how associated with the PEGylation platform, (ii) patents and know-how related to PEG SN-38, (iii) patents and know-how associated with certain of our internal clinical programs and (iv) certain related supplies and equipment.

In September 2013, we entered into a sublease agreement, which was amended and restated in November 2013, with Axcellerate, pursuant to which we sublease to Axcellerate a portion of our premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas. The term of the sublease commenced on November 14, 2013 and will expire on July 30, 2021. The monthly fixed rent payable by Axcellerate to us under the sublease is as follows: (i) in year one, $10,417, (ii) in year two, $15,625, (iii) in year three, $20,833, (iv) in year four, $26,042 and (v) in each of years five through eight, $35,000. The sublease also provides for Axcellerate to pay additional rent to cover its applicable share of real estate taxes, operating expenses, sewer and gas usage, water usage, electricity usage and certain other charges incurred by Axcellerate.

In October 2013, we terminated our License and Collaboration Agreement with Santaris whereby we returned to Santaris the rights to molecules utilizing LNA technology including the mRNA antagonists targeting Hypoxia-Inducible Factor-1 alpha (HIF-1 alpha), the Androgen Receptor (AR), HER3, and Beta-catenin.

We wound down our remaining research and development activities during 2013. We have no intention of resuming any clinical development activities or acquiring new sources of royalty revenues.

Results of Continuing Operations (in millions of dollars):

	For the Year Ended December 31,		
	2013	2012	2011
Revenues:			
Royalties	$ 33.8	$ 41.5	$ 40.9
Sale of in-process research and development	-	-	5.0
Contract research and development	-	.1	1.5
Miscellaneous income	.7	1.0	0.7
Total revenues	34.5	42.6	48.1
Operating expenses:			
Research and development - pipeline	2.7	20.9	40.2
Research and development - specialty and contracted services	-	.1	1.0
General and administrative	8.8	14.5	17.3
General and administrative - contracted services	-	-	0.1
Impairment of property and equipment	-	11.3	-
Restructuring charges	4.8	(.2)	6.0
Operating income (loss)	18.2	(4.0)	(16.5)
Other expense, net	-	(2.9)	(4.1)
Income tax (expense) benefit	-	4.1	(0.2)
Net income (loss)	$ 18.2	$ (2.8)	$ (20.8)

Overview

The sale of our former specialty pharmaceutical business in January 2010 had numerous effects on our financial results. The sale of in-process research and development for $40.9 million in 2010 and the related $5.0 million milestone payment received in 2011 were part of the total sale of our former specialty pharmaceutical business but are reported as part of continuing operations because we had operated as a research and development organization.

Royalty Revenues (in millions of dollars):

	For the Year Ended December 31,				
	2013	% Change	2012	% Change	2011
Royalty revenue	$ 33.8	(18)	$ 41.5	1	$ 40.9

Most of our royalty revenues are derived from sales of PegIntron. Royalty revenues from sales of PegIntron accounted for approximately 87%, 93% and 94% of our total royalty revenues in 2013, 2012 and 2011, respectively. The following table summarizes our PegIntron royalties earned in 2013, 2012 and 2011:

PegIntron royalties from (in millions of dollars):

	For the Year Ended December 31,				
	2013	% Change	2012	% Change	2011
U.S. sales	$ 3.4	(52)	$ 7.1	34	$ 5.3
Foreign sales – Europe	8.9	(18)	10.9	(2)	11.1
Foreign sales – Japan	5.8	(31)	8.4	(24)	11.0
Foreign sales – Other	11.2	(7)	12.1	9	11.1
Total	$ 29.3		$ 38.5		$ 38.5

Other royalty revenues and certain licensing revenues relate to the application of our technology to third-party products including those under a cross-license agreement with Nektar Therapeutics, Inc. (Nektar) under which we receive a share of the royalties and licensing income received by Nektar. There are currently three third-party products for which Nektar has granted sublicenses to our PEGylation technology and for which we are participating in royalty and licensing income revenues: UCB's CIMZIA for the treatment of Crohn's disease and rheumatoid arthritis in the European Union and Valeant and Pfizer's Macugen for the treatment of neovascular (wet) age-related macular degeneration. As part of the January 2010 sale of our former specialty pharmaceutical business, we are also entitled to royalties from the purchaser of such business of 5 to 10 percent on incremental net sales above a 2009 baseline amount through 2014 from the four marketed drug products we sold to them, namely, Adagen®, Oncaspar®, Abelcet®, and DepoCyt®.

Royalty revenues decreased approximately 18% in 2013 compared to 2012. This was driven by a 24% decrease in royalties on PegIntron, partially offset by an increase in royalties from Nektar and Sigma Tau. Merck reported that worldwide sales of PegIntron declined 24% to $496 million in 2013 compared with 2012 reflecting declines in all regions and that it believes the sales declines are attributable in part to patient treatment being delayed by health care providers in anticipation of new therapeutic options becoming available.

Royalty revenues increased approximately 1% in 2012 compared to 2011. This was driven almost entirely by a 65% increase in royalties on CIMZIA compared to 2011. Royalties on PegIntron in 2012 were flat versus 2011. MACUGEN royalties in 2012 declined 28.7% compared to 2011. Royalty revenues for OMONTYS in the amount of $0.3 million was recorded for the first time in 2012.

Our future revenues are heavily weighted towards royalties and revenues to be received from the use of our technology and are dependent upon numerous factors outside of our control. We derive most of our royalty revenues from sales of PegIntron, which have been in decline since 2008. Merck's obligation to pay us royalties on sales of PegIntron terminates, on a country-by-country basis, upon the later of the date on which the last patent to contain a claim covering PegIntron expires in the country or 15 years after the date on which PegIntron was first approved for commercial marketing in such country. Currently, expirations of our right to receive royalties are expected to occur in 2016 in the U.S., 2018 in Europe and 2019 in Japan.

Other factors potentially affecting our royalty revenues include new or increased competition from products that may compete with the products for which we receive royalties, the effectiveness of marketing by our licensees, and new uses and geographies for PegIntron, CIMZIA and Macugen. Our rights to receive royalties on CIMZIA, Macugen, and OMONTYS will terminate in 2014. After the expiration of the patents and royalties, we are entitled to immunity fees on a country-by-country and product-by-product basis for up to twelve years from the date of first sale of these drugs.

Sale of In-Process Research and Development

When we sold our former specialty pharmaceutical business in January 2010, we had retained our research and development organization. We had been engaged in studies oriented towards the next-generation formulations of Oncaspar and Adagen, two products that were among those sold as part of our former specialty pharmaceutical business. No revenue was recognized in 2013 or 2012. During the first quarter of 2011, we earned and recognized a $5.0 million milestone payment related to divested in-process research and development. The selling price of the in-process research and development represented management's best estimate of its standalone fair value based on the stage of development and future milestone payment consideration.

Contract Research and Development Revenue

Pursuant to a transition services agreement entered into at the time of the sale of our former specialty pharmaceutical business, we began performing product-support research and development, consulting and technology transfer functions for the purchaser effective with the close of the sale transaction on January 29, 2010. The transition services associated with product-support research and development are being reported in continuing operations due to our ongoing involvement in the research and development related to the divested products. We were being compensated for this work at actual cost plus a mark-up per the terms of the transition services agreement. Revenue was generated from these services in the amount of $0, $0.1 million and $1.5 million for the years ended December 31, 2013, 2012, and 2011, respectively. Our contractual obligation was to assist with these transition services for a period of up to three years subsequent to the date of the sale, although the level of such activity declined significantly during 2011 and 2012. The transition services agreement was terminated by the purchaser on September 30, 2012.

Other Revenue

Under the terms of the asset purchase agreement for the sale of our former specialty pharmaceutical business (which was completed in January 2010), we were entitled to receive up to an additional $27.0 million in milestone payments if certain conditions are met. Of this amount, we earned and received a $5.0 million milestone payment in the first quarter of 2011, and another $5.0 million is no longer considered likely to be received. There can be no assurance that we will receive any of the remaining $17.0 million in milestone payments. In addition, we may receive royalties of 5 to 10 percent on incremental net sales above a 2009 baseline amount of our former four marketed specialty pharmaceutical products through 2014.

Miscellaneous Income

Miscellaneous income includes rental receipts totaling approximately $0.1 million, $0.6 million and $0.6 million in 2013, 2012 and 2011, respectively, in connection with the sublease of unused manufacturing and excess office facilities for which we have ongoing lease commitments. The underlying rental expense is reflected in general and administrative expense. On September 26, 2013 and as restated and amended on November 13, 2013, we entered into an Agreement of Sublease with Axcellerate pursuant to which we sublet to Axcellerate a portion of our premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas. The underlying rental payments are reflected in miscellaneous income.

In addition, during the second quarter of 2012, we received a non-refundable, non-creditable upfront payment of $0.2 million related to the licensing of PEG-SN38 as part of the Collaboration Agreement with Hisun. Also, as part of the transition services agreement referred to above, we were compensated for various general and administrative services provided to the purchaser of our former specialty pharmaceutical business. The compensation for this work includes reimbursement of costs incurred plus a mark-up defined in the agreement. Miscellaneous revenue was $0.6 million for the year ended December 31, 2013, representing a milestone event as part of the agreement with Hisun. Hisun has not paid this milestone payment and the Company has determined that there is substantial doubt as to whether it will be paid, resulting in the $0.6 million provision for bad debts. The Company is continuing to negotiate with Hisun to reach a resolution to this matter. Approximately $0.1 million has been earned for the transition services in each of the years ended December 31, 2012 and 2011. The expenses incurred in relation to these services are reported as general and administrative – contracted services. Our involvement in the transitioning of general and administrative activities was essentially concluded during 2011.

Research and Development Expenses – Pipeline (in millions of dollars)

The Company was previously dedicated to the research and development of innovative therapeutics for patients with high unmet medical needs. Substantially all of our research and development activities were halted in 2012, and we wound down our remaining research and development activities during 2013. We have no intention of resuming any clinical development activities.

	For the Year Ended December 31,				
	2013	% Change	2012	% Change	2011
Research and development expenses	$ 2.7	(87)	$ 20.9	(48)	$ 40.2

The following table summarizes our major pipeline research and development projects, the costs incurred for the years ended December 31, 2013, 2012 and 2011 and the latest phases of development (millions of dollars):

	For the Years Ended December 31,			
Category	2013	2012	2011	Latest Phase of Development
PEG-SN38	$ 0.8	$ 4.4	$ 15.0	Phase I and Phase II, Transferred to Belrose
HIF - 1a antagonist	-	0.6	2.6	Phase I, Returned to Santaris
Survivin antagonist	-	0.3	1.0	Phase I, Returned to Santaris
Androgen Receptor antagonist	0.1	4.8	4.8	Phase I, Returned to Santaris
Depreciation	-	3.1	3.4	
Additional LNA targets	-	0.2	0.9	Pre-clinical, Returned to Santaris
PEGylation technology (1)	-	1.9	-	Pre-clinical, Transferred to Belrose
Other R&D costs - pipeline	1.8	5.6	12.5	
Total R&D - pipeline	**$ 2.7**	**$ 20.9**	**$ 40.2**	

(1) In 2012, expenses for PEGylation technology were allocated separately, while in 2011 they were included in other R&D costs.

Research and development expenses consist primarily of contractor fees principally related to clinical projects; costs related to research and development collaborations or licenses; drug supplies for preclinical and clinical activities; salaries, stock-based compensation and benefits; other research supplies and facilities charges. Program costs are those research and development costs which are directly related to specific programs that are tracked and managed at the individual program level. Other research and development costs are those costs incurred related to the Company's on-going research and development activities, such as some personnel and facilities-related expenses, which are not allocated to specific programs given their general nature.

For the year ended December 31, 2013, research and development expenses decreased 87% to $2.7 million. The Company was primarily engaged in winding down its research and development activities in 2013.

For the year ended December 31, 2012, research and development expenses decreased 48 percent to $20.9 million. We invested in the following programs during 2012:

- **PEG-SN38** – Spending on PEG-SN38 decreased in 2012 as clinical activity decreased. Spending on PEG-SN38 increased in 2011 as clinical activity increased in the Phase II metastatic colorectal cancer study, the Phase II metastatic breast cancer study, and the Phase I pediatric study. Enrollment stopped in 2012 in the Phase I pediatric study, and stopped in the two Phase II studies in 2011.

- **HIF-1α antagonist** – Spending on the HIF-1α antagonist program decreased in 2012 versus 2011. Spending for 2012 was substantially lower than 2011 due to having completed enrollment in the two Phase I studies. In late 2013, Enzon returned this project to Santaris.

- **Survivin antagonist** – Spending on the Survivin mRNA antagonist program decreased in 2012 versus 2011 due to having completed enrollment in the Phase I study. In late 2012, Enzon returned this project to Santaris.

- **Androgen Receptor (AR) antagonist** – Spending on the AR mRNA antagonist program remained stable in 2012 versus 2011 as the Phase I study in patients with castrate resistant prostate cancer continued to accrue patients. In December 2012, Enzon decided to suspend clinical development of this program. In late 2013, Enzon returned this project to Santaris.

- **Additional LNA targets** – Under our agreement with Santaris, we had the right to develop and commercialize RNA antagonists directed against additional novel oncology gene targets selected by us, which were HER3 and ß-catenin. This agreement provided that any one of the compounds licensed by us could be returned to Santaris if the findings of our preclinical or clinical work did not support our continued investment. We returned three of the targets to Santaris during 2011 and one target to Santaris during 2012 and our remaining targets to Santaris during 2013. In 2013, 2012 and 2011, there were no milestone payments made to Santaris on our remaining targets.

Research and Development Expenses – Specialty and Contracted Services

Expenses associated with generating contract research and development revenue amounted to $0.1 million and $1.0 million in 2012 and 2011, respectively.

General and Administrative Expenses (in millions of dollars):

	For the Year Ended December 31,				
	2013	% Change	2012	% Change	2011
General and administrative expenses	$ 8.8	(39)	$ 14.5	(17)	$ 17.3

General and administrative expenses consist primarily of salaries and benefits for support functions; outside professional services for accounting, audit, tax, legal, and financing activities; depreciation; patent filing fees and facilities costs.

For the year ended December 31, 2013, general and administrative expenses were $8.8 million, down 39% from the prior year. The change in 2013 from 2012 was largely the result of a continued restructuring program. Other factors included a reduction in force and lower contractor services, insurance, rent, stock compensation expense, depreciation, and auditing/accounting fees.

For the year ended December 31, 2012, general and administrative expenses were $14.5 million, down 17% from the prior year. The decline in 2012 from 2011 was largely the result of a continued restructuring program. Others factors included a reduction in force and lower contractor services, insurance, rent, stock compensation expense, depreciation, and auditing/accounting fees. In addition, during the second quarter of 2012, we recognized $0.8 million for severance payments and benefits related to the departure of our former Principal Executive Officer, Chief Operating Officer, Executive Vice President and Chief Financial Officer that were payable under the terms of her Severance and Release Agreement.

For the year ended December 31, 2011, general and administrative expenses were $17.3 million, down 32% from the prior year. The decline from the preceding year was largely the result of a restructuring program implemented in the fourth quarter of 2010, which reduced the number of employees and therefore the associated payroll costs, as well as the effects of our on-going cost containment efforts, including consolidation of facilities into the Piscataway, New Jersey location from our former Bridgewater, New Jersey headquarters facility.

General and Administrative Expenses – Contracted Services

As part of the transition services agreement with the purchaser of our former specialty pharmaceutical business, we provided certain general, administrative, financial, legal, human resource and information technology services for a period of up to one year. We were compensated for these services based upon costs incurred plus a mark-up defined in the transition services agreement. This administrative support activity effectively concluded in 2011, during which we received approximately $2 million.

Impairment of Property and Equipment

We continually evaluate property and equipment, including leasehold improvements, to determine whether events or changes in circumstances have occurred that may warrant revision of the estimated useful life or whether the remaining balance should be evaluated for possible impairment. We use an estimate of the related undiscounted cash flows over the remaining life of the property and equipment in assessing whether an asset has been impaired. We measure impairment losses based upon the amount by which the carrying amount of the asset exceeds the fair value. See Note 2 of the Notes to Consolidated Financial Statements for information about our fair value of property and equipment. For the year ended December 31, 2012, we recorded $11.3 million of non-cash impairment charges related to our property and equipment to reduce the carrying value of these assets to fair market value. These charges mostly relate to leasehold improvements representing the Company's process development laboratory and related equipment and were considered necessary in view of the Company's announcement of plans to suspend all clinical development activities.

Restructuring

In December 2012, we made an announcement that contemplated a reduction in our workforce of approximately 15-20 employees and in March 2013, we announced a plan to further reduce our workforce from 19 employees to 12 employees.

As a result of our transition from a fully integrated biopharmaceutical company with research, manufacturing and marketing operations to a biotechnology company dedicated to oncology research and development, we undertook reductions in our workforce during 2011. In connection with our decision to exit our former headquarters facility in Bridgewater, New Jersey, we also incurred lease-related charges and wrote-off certain furnishings and leasehold improvements in 2011.

We incurred the following costs in connection with our restructuring programs during the years ended December 31, 2013, 2012 and 2011 (in thousands of dollars):

	For the Year Ended December 31,		
	2013	2012	2011
Employee separation benefits:			
Fourth-quarter 2013	$ 1,018	$ -	$ -
Third-quarter 2013	25	-	-
Second-quarter 2013	596	-	-
First-quarter 2013	2,394	-	-
Fourth-quarter 2011	-	(19)	1,485
Third-quarter 2011	(32)	(200)	2,835
Second-quarter 2011	-	-	734
Fourth-quarter 2010	-	(20)	(72)
First-quarter 2010	-	-	(60)
	4,001	(239)	4,922
Other restructuring costs:	775	62	1,103
Total restructuring charges	$ 4,776	$ (177)	$ 6,025

During 2013, separation expenses of $4.0 million were incurred in connection with terminating employees.

During 2013 and 2012, reversals of previously recognized expense of $32,000 and $200,000, respectively, were recognized due to changes in estimates of employee separation costs previously recorded.

During the fourth quarter of 2011, we recorded total restructuring charges in the amount of $1.4 million, of which $1.1 million related to the departure of our former Chief Operating Officer and Principal Executive Officer, Ralph del Campo, for severance payments and benefits payable under the terms of his severance agreement then in effect. Additionally, there were several research and development positions identified for elimination resulting in a charge of approximately $0.3 million for separation benefits.

During the third quarter of 2011, the Company incurred restructuring charges of $2.9 million for employee separation benefits as a result of a 48% reduction in force and $0.7 million for lease termination costs associated with the first and third floors of the Company's former Bridgewater, New Jersey headquarters facility. During the second quarter of 2011, the Company recorded a restructuring charge of $0.7 million related to the departure of the Company's Executive Vice President, Human Resources and Administration pursuant to the terms of the Severance and Release Agreement. During the first quarter of 2011, the Company incurred restructuring charges of $0.4 million related to lease termination costs for the former Bridgewater, New Jersey headquarters facility.

During the third quarter of 2011, we announced a plan to reduce our workforce and operating costs to more closely align our resources and capital with our then on-going research and development activities. This reduction in force reduced the number of employees by approximately 48 percent. Separation payments were made for up to a year following the respective separations. In connection with this restructuring, we recorded a charge of approximately $2.9 million for separation benefits. Also during the third quarter of 2011, we recorded a restructuring charge in the amount of $0.7 million to terminate an operating lease related to the third and first floors of our former Bridgewater, New Jersey headquarters facility.

During the second quarter of 2011, we recorded a restructuring charge in the amount of $0.7 million related to the departure of our Executive Vice President, Human Resources & Administration for severance payments and benefits that are payable under the terms of the Severance and Release Agreement.

During the first quarter of 2011, we recorded a restructuring charge in the amount of $0.4 million related to the excess of committed lease costs over potential sublease income for office space in Bridgewater, New Jersey that was vacated during the quarter when the Company relocated its corporate headquarters to Piscataway, New Jersey.

Other Income (Expense) (in millions of dollars):

	For the Year Ended December 31,				
	2013	% Change	2012	% Change	2011
Other income (expense):					
Investment income, net	$ 0.5	(80)	$ 2.6	53	$ 1.7
Interest expense	(2.1)	(61)	(5.3)	(10)	(5.9)
Other, net	1.6	(111)	(0.2)	(300)	0.1
Total other income (expense)	$ -	(100)	$ (2.9)	(29)	$ (4.1)

Net other expense for the three years ended December 31, 2013, 2012 and 2011 was $0, $2.9 million, and $4.1 million, respectively. The repurchase and conversion of a portion of our 4% convertible notes during the three-year period affected the year-to-year comparisons in a number of ways (See Liquidity and Capital Resources below). Further discussion of each of the individual items follows.

Net investment income was $0.5 million for the year ended December 31, 2013, as compared to $2.6 million for the prior year. All short-term marketable securities matured or were sold to provide liquidity for the special dividend payments and retirement of the notes payable during 2013.

Interest expense was $2.1 million for the year ended December 31, 2013, as compared to $5.3 million for 2012. In June 2013, we retired the remaining principal balance of our 4% convertible notes and the declining interest costs are reflective of the retired notes.

Net investment income in 2012 was $2.6 million, which represents an increase of 53% versus net investment income in 2011. During 2012, we sold long-term marketable securities in our portfolio and realized $0.9 million of gains. Net investment income in 2011 was $1.7 million, which represents a decline of 51% versus $3.5 million in net investment income earned in 2010. For the first three quarters of 2011 and for all of 2010, as debt securities matured in our portfolio the proceeds were held in money market funds as opposed to being reinvested in additional debt securities. The maturing higher-yielding securities were purchased several years earlier when prevailing interest rates were higher for all classes of debt holdings. As they matured, the proceeds were reinvested in lower-yielding money market funds in a historically low interest rate environment. During the fourth quarter of 2011, we resumed investing excess cash in a portfolio of marketable debt securities, although at much lower rates than the previous portfolio was earning.

Interest expense includes amortization of deferred debt issuance cost and when debt is repurchased, the write-off of deferred debt issuance costs. Interest expense has continued to decline over the three-year period through 2013, from $5.9 million in 2011 to $5.3 million in 2012 to $2.1 million in 2013. In June 2013, we retired the remaining outstanding principal balance of our 4% convertible notes at par. In the fourth quarter of 2011, we retired $5.0 million in principal amount of our 4% convertible notes at par. The write-off of deferred debt issuance costs was approximately $62,000 and $30,000 for the years ended December 31, 2012 and 2011, respectively. In 2012, the loss on early retirement of notes payable was $212,000. In 2012, we retired $13.6 million in principal amount of our outstanding 4% convertible notes, $3.7 million of which was retired in the first quarter of 2012 and $9.9 million of which was retired in the second quarter of 2012.

Other income in 2013 was related, primarily, to sales of assets held for sale for $1.2 million and the sale of Peg Technology to Belrose. Other income in 2012 and 2011 was not material to our results of operations.

Income Taxes

Income tax benefit of $28,000 in 2013 was recorded due to 2012 AMT tax payment which will be refunded.

Income tax expense in 2012 was primarily comprised of a state income tax benefit of $4.2 million related to the sale of New Jersey net operating losses and research and development credits. No federal income tax expense, other than $30,000 in alternative minimum tax, was incurred in relation to normal operating results due to the utilization of net operating losses to offset taxes that would otherwise accrue to operating income.

Income tax expense in 2011 was primarily comprised of foreign withholding taxes on repatriated funds.

Liquidity and Capital Resources

Our current sources of liquidity are (i) our cash on hand, (ii) anticipated royalty revenues from third-party sales of marketed drug products that utilize our proprietary technology (primarily anticipated royalty revenues from sales of PegIntron) and (iii) anticipated rental income from our sublease to Axcellerate. While we no longer have any research and development activities, we continue to retain rights to receive royalties from existing licensing arrangements with other companies. We believe that our anticipated royalty revenues, primarily anticipated royalty revenues from sales of PegIntron, together with our anticipated rental income from our sublease to Axcellerate, will be sufficient to fund our operations, at least, through March 31, 2015. However, there can be no assurance that we will receive amounts of royalty revenues or rental income as anticipated.

Cash provided by operating activities represents net income, as adjusted for certain non-cash items including depreciation, amortization, impairment and stock based compensation expense and the effect of changes in operating assets and liabilities. Cash provided by operating activities during 2013 was $14.0 million, as compared to cash provided by operating activities of $8.4 million in 2012. The increase was due to a $20.9 million change in net income, from a loss of $2.8 million in 2012 to a net profit of $18.1 million in 2013, and a decrease in net charges related to non-cash items from $20.5 million in 2012 to $(0.9) million in 2013 and by changes in operating assets and liabilities of $6.1 million.

Cash provided by investing activities amounted to $121.1 million in 2013 as compared to cash provided by investing activities in 2012 of $97.5 million. We sold marketable securities in 2013 to generate cash necessary to pay the special dividends in June and December 2013, as well as to retire the $115.8 million outstanding principal balance of our convertible 4% notes payable.

Cash used in financing activities in 2013 amounted to $206.0 million with the most significant uses being the use of $89.8 million to pay the special cash dividends in June and December 2013 and the retirement of the entire $115.8 million outstanding principal balance of our convertible 4% notes payable.

The net effect of the foregoing was a reduction of cash and cash equivalents of $70.8 million, from $77.3 million at December 31, 2012 to $6.5 million at December 31, 2013.

Off-Balance Sheet Arrangements

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of December 31, 2013, we were not involved in any off-balance sheet special purpose entity transactions.

Contractual Obligations

Contractual obligations represent future cash commitments and liabilities under agreements with third parties, and exclude contingent liabilities for which we cannot reasonably predict future payment. The following chart represents our contractual cash obligations as of December 31, 2013 (in millions):

	Payments Due By Period				
Contractual Obligations and Commercial Commitments	Total	Less than 1 Year	2 – 3 Years	4 – 5 Years	More than 5 years
Operating lease obligations	$ 5.6	$ .7	$ 1.4	$ 1.5	$ 2.0
Sublease lease revenues	$ 2.4	$ .1	$ .5	$ .8	$ 1.0

We currently lease a facility in Piscataway, New Jersey, which is currently scheduled to expire on July 31, 2021.

In September 2013, we entered into a sublease agreement, which was amended and restated in November 2013, with Axcellerate, pursuant to which we sublease to Axcellerate a portion of our premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas. The term of the sublease commenced on November 14, 2013 and will expire on July 30, 2021. The monthly fixed rent payable by Axcellerate to us under the sublease is as follows: (i) in year one, $10,417, (ii) in year two, $15,625, (iii) in year three, $20,833, (iv) in year four, $26,042 and (v) in each of years five through eight, $35,000. The sublease also provides for Axcellerate to pay additional rent to cover its applicable share of real estate taxes, operating expenses, sewer and gas usage, water usage, electricity usage and certain other charges incurred by Axcellerate.

Critical Accounting Policies and Estimates

A critical accounting policy is one that is both important to the portrayal of a company's financial condition and results of operations and requires management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

Our consolidated financial statements are presented in accordance with accounting principles that are generally accepted in the U.S. All applicable U.S. GAAP accounting standards effective as of December 31, 2013 have been taken into consideration in preparing the consolidated financial statements. The preparation of the consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Some of those estimates are subjective and complex, and, consequently, actual results could differ from those estimates. The following accounting policies and estimates have been highlighted as significant because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

We base our estimates, to the extent possible, on historical experience. Historical information is modified as appropriate based on current business factors and various assumptions that we believe are necessary to form a basis for making judgments about the carrying value of assets and liabilities. We evaluate our estimates on an ongoing basis and make changes when necessary. Actual results could differ from our estimates.

Revenues

Royalties under our license agreements with third-parties and pursuant to the sale of our former specialty pharmaceutical business are recognized when reasonably determinable and earned through the sale of the product by the third-party and collection is reasonably assured. Notification from the third-party licensee of the royalties earned under the license agreement is the basis for royalty revenue recognition. This information generally is received from the licensees in the quarter subsequent to the period in which the sales occur.

Contingent payments due under the asset purchase agreement related to the sale of our former specialty pharmaceutical business are recognized as income when the milestone has been achieved and collection is assured. Such payments are non-refundable, and no further effort is required on the part of the Company or the other party to complete the earning process. Non-refundable payments received upon entering into license and other collaborative agreements where we have continuing involvement are recorded as deferred revenue and recognized ratably over the estimated service period.

The sale of our former specialty pharmaceutical business involved the application of guidance regarding multiple deliverables in separating the revenues associated with the sale of in-process research and development from the other elements of the transaction, namely the assets sold as part of discontinued operations and our continuing involvement in contract research activities. We determined that the in-process research and development had value to the buyer of our former specialty pharmaceutical business on a stand-alone basis and that there was objective and reliable evidence available to support the allocation of the total purchase price to the respective units of accounting.

Property and Equipment and Assets Held for Sale

Property and equipment are stated at cost (reduced for any impairment charges), net of accumulated depreciation. Depreciation of fixed assets is provided by the straight-line method over the estimated useful lives of the assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is recognized in operations for the period. Amortization of leasehold improvements is calculated using the straight-line method over the remaining term of the lease or the life of the asset, whichever is shorter. The costs of repairs and maintenance are charged to operations as incurred while significant improvements are capitalized.

Property and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a property and equipment or asset group be tested for possible impairment, we first compare undiscounted cash flows expected to be generated by that property and equipment or asset group to its carrying amount. If the carrying amount of the property and equipment or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary.

Because we plan to sell all of our remaining property and equipment through a third-party liquidator, we have reduced the carry value of such property and equipment to its estimated fair market value and classified it as Assets Held for Sale as of December 31, 2013.

Research and Development Expenses

We no longer perform research and development activities. In prior periods, we accrued expenses for the cost of work performed by contract research organizations, contract manufacturing organizations and others based upon the estimated amount of the total effort completed on each order, study or project using factors such as the number of lots produced, the number of patients enrolled, the number of active clinical sites and the duration for which the patients were enrolled in the study. We based the estimates on the information available at the time. Additional information may have become available at a later date that would enable us to develop a more accurate estimate. Such changes in estimate would generally be recognized in the period when the information is first known.

Income Taxes

Under the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance on net deferred tax assets is provided for when it is more likely than not some portion or all of the deferred tax assets will not be realized. As of December 31, 2012, we believe, based on our projections, that it is more likely than not that our net deferred tax assets, including our net operating losses from operating activities and stock option exercises, will not be realized. We recognize the benefit of an uncertain tax position that we have taken or expect to take on the income tax returns we file if it is more likely than not we will be able to sustain our position.

Stock-Based Compensation

Compensation cost, measured by the fair value of the equity instruments issued, adjusted for estimated forfeitures, is recognized in the financial statements as the respective awards are earned. The impact that stock-based compensation awards will have on our results of operations is a function of the number of shares awarded, vesting and the trading price and fair value of our stock at the date of grant or modification. Fair value of stock-based compensation is determined using the Black-Scholes valuation model, which employs weighted-average assumptions for the expected volatility of our stock, the expected term until exercise of the options, the risk-free interest rate, and dividends, if any. Expected volatility is based on our historical stock price information.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

None.

Item 8. Financial Statements and Supplementary Data

Financial statements and notes thereto appear on pages F-1 to F-33 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

As previously disclosed in our Current Report on Form 8-K filed on August 12, 2013, on August 7, 2013, the Finance and Audit Committee of our Board of Directors dismissed KPMG LLP as our independent registered public accounting firm and appointed EisnerAmper LLP as our independent registered public accounting firm for the fiscal year ended December 31, 2013. There were no disagreements or reportable events in connection with the change in accountants requiring disclosure under Item 304(b) of Regulation S-K.

Item 9A. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our management, under the direction of our Principal Executive Officer and Principal Financial Officer, has 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 of 1934, as amended (the "Exchange Act"), as of December 31, 2013. Disclosure controls and procedures are designed to ensure that information required to be disclosed in reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to management, including the Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosures.

(b) Changes in Internal Control Over Financial Reporting

In December 2012, Enzon announced its plans to suspend clinical development activities and to possibly dispose of assets or sell the company. In connection with its plans, the Company expected to reduce its workforce by as much as 45%. The Company experienced a reduction of two staff members within the finance organization relating to voluntary and involuntary terminations in the beginning of first quarter of 2013, which has impacted the internal control over financial reporting process as individual responsibilities were re-assigned to address financial reporting needs. By December 31, 2013, the Company had no employees within the financial organization. However, internal controls were transitioned and maintained by the engagement of a third-party accounting firm to take on the accounting department functions. The accounting firm is being supervised by Richard L. Feinstein, a consultant, as principal accounting and financial officer.

(c) Management's Report on Internal Control over Financial Reporting

It is the responsibility of the management of Enzon Pharmaceuticals, Inc. and subsidiaries to establish and maintain effective internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process designed by, or under the supervision of our Principal Executive Officer and Principal Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Enzon; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of Enzon are being made only in accordance with authorizations of management and directors of Enzon; and (iii) provide reasonable assurance regarding the prevention or timely detection of unauthorized acquisition, use or disposition of Enzon's assets that could have a material effect on the consolidated financial statements of Enzon.

Under the supervision and with the participation of our management, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on criteria established in "Internal Control—Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Our management concluded that as of December 31, 2013 our internal control over financial reporting was effective based on those criteria.

Our independent registered public accounting firm, EisnerAmper LLP, has issued an unqualified report on the effectiveness of internal control over financial reporting as of December 31, 2013, which is included herein.

(d) Limitations on the Effectiveness of Controls

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

/s/ George W. Hebard III
George W. Hebard III
Interim Principal Executive Officer and
Interim Chief Operating Officer
(Principal Executive Officer)

March 14, 2014

/s/ Richard L. Feinstein
Richard L. Feinstein
Vice President-Finance and
Principal Financial Officer
(Principal Financial and Accounting Officer)

March 14, 2014

(f) Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders
Enzon Pharmaceuticals, Inc. and Subsidiaries

We have audited Enzon Pharmaceuticals, Inc. and Subsidiaries (the "Company") internal control over financial reporting as of December 31, 2013, based on criteria established in the 1992 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Enzon Pharmaceuticals, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on criteria established in 1992 *Internal Control - Integrated Framework* issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Enzon Pharmaceuticals, Inc. and Subsidiaries as of December 31, 2013, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2013, and our report dated March 14, 2014 expressed an unqualified opinion thereon.

/s/ EisnerAmper LLP

Iselin, New Jersey
March 14, 2014

Item 9B. Other Information

None.

PART III.

Item 10. Directors, Executive Officers and Corporate Governance

If we file a definitive proxy statement relating to our 2014 Annual Meeting of Stockholders with the SEC not later than 120 days after December 31, 2013, the information required by this Item 10 is incorporated herein by reference to such definitive proxy statement. However, if such definitive proxy statement is not filed with the SEC in such 120-day period, we will file an amendment to this Annual Report on Form 10-K with the SEC not later than the end of such 120-day period to include the information required by this Item 10.

Item 11. Executive Compensation

If we file a definitive proxy statement relating to our 2014 Annual Meeting of Stockholders with the SEC not later than 120 days after December 31, 2013, the information required by this Item 11 is incorporated herein by reference to such definitive proxy statement. However, if such definitive proxy statement is not filed with the SEC in such 120-day period, we will file an amendment to this Annual Report on Form 10-K with the SEC not later than the end of such 120-day period to include the information required by this Item 11.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

If we file a definitive proxy statement relating to our 2014 Annual Meeting of Stockholders with the SEC not later than 120 days after December 31, 2013, the information required by this Item 12 is incorporated herein by reference to such definitive proxy statement. However, if such definitive proxy statement is not filed with the SEC in such 120-day period, we will file an amendment to this Annual Report on Form 10-K with the SEC not later than the end of such 120-day period to include the information required by this Item 12.

Item 13. Certain Relationships and Related Transactions, and Director Independence

If we file a definitive proxy statement relating to our 2014 Annual Meeting of Stockholders with the SEC not later than 120 days after December 31, 2013, the information required by this Item 13 is incorporated herein by reference to such definitive proxy statement. However, if such definitive proxy statement is not filed with the SEC in such 120-day period, we will file an amendment to this Annual Report on Form 10-K with the SEC not later than the end of such 120-day period to include the information required by this Item 13.

Item 14. Principal Accounting Fees and Services

If we file a definitive proxy statement relating to our 2014 Annual Meeting of Stockholders with the SEC not later than 120 days after December 31, 2013, the information required by this Item 14 is incorporated herein by reference to such definitive proxy statement. However, if such definitive proxy statement is not filed with the SEC in such 120-day period, we will file an amendment to this Annual Report on Form 10-K with the SEC not later than the end of such 120-day period to include the information required by this Item 14.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a)(1), (a)(2) and (c). The response to this portion of Item 15 is submitted as a separate section of this report commencing on page F-1.

(a)(3) and (b). Exhibits (numbered in accordance with Item 601 of Regulation S-K).

Exhibit Number	Description	Reference No.
2.1	Asset Purchase Agreement, dated as of November 9, 2009, by and between Klee Pharmaceuticals, Inc., Defiante Farmacêutica, S.A. and Sigma-Tau Finanziaria S.p.A., on the one hand, and Enzon Pharmaceuticals, Inc., on the other hand	(11)
3.1	Amended and Restated Certificate of Incorporation dated May 18, 2006, together with that Certificate of Amendment to the Amended and Restated Certificate of Incorporation dated July 13, 2010	(1)
3.2	Second Amended and Restated By-Laws effective March 11, 2011, as amended by Amendment No. 1 to the Second Amended and Restated By-Laws effective February 15, 2013	(15)
10.1	Lease dated April 1, 1995 regarding 20 Kingsbridge Road, Piscataway, New Jersey	(3)
10.2	First Amendment to Lease regarding 20 Kingsbridge Road, Piscataway, New Jersey, dated as of November 13, 2001	(4)

10.3	Agreement of Sublease, dated as of September 26, 2013, between Enzon Pharmaceuticals, Inc. and Axcellerate Pharma, LLC	(16)
10.4	Amended and Restated Agreement of Sublease, dated as of November 13, 2013, between Enzon Pharmaceuticals, Inc. and Axcellerate Pharma, LLC	+
10.5	2001 Incentive Stock Plan, as amended and restated, of Enzon Pharmaceuticals, Inc.**	(2)
10.6	Development, License and Supply Agreement between Enzon, Inc. (now known as Enzon Pharmaceuticals, Inc.) and Schering Corporation; dated November 14, 1990, as amended*	(5)
10.7	2011 Outside Director Compensation Plan**	(15)
10.8	2013 Outside Director Compensation Plan**	(15)
10.9	Amended and Restated 2013 Outside Director Compensation Plan**	(16)
10.10	Form of Non-Qualified Stock Option Agreement for Executive Officers under the 2001 Incentive Stock Plan**	(7)
10.11	Form of Restricted Stock Award Agreement for Executive Officers under the 2001 Incentive Stock Plan**	(7)
10.12	Form of Restricted Stock Unit Award Agreement for Executive Officers under the 2001 Incentive Stock Plan**	(8)
10.13	Form of Restricted Stock Unit Award Agreement for Independent Directors under the 2001 Incentive Stock Plan**	(6)
10.14	Form of Stock Option Award Agreement for Independent Directors under the 1987 Non-Qualified Stock Option Plan**	(6)
10.15	Form of Stock Option Award Agreement for Independent Directors under the 2001 Incentive Stock Plan**	(6)
10.16	Amendment to Outstanding Awards Under 2001 Incentive Stock Plan**	(10)
10.17	2001 Incentive Stock Plan Non-Qualified Stock Plan Terms and Conditions**	(10)
10.18	2001 Incentive Stock Plan Restricted Stock Unit Award Terms and Conditions**	(10)
10.19	2001 Incentive Stock Plan Restricted Stock Award Terms and Conditions**	(10)
10.20	2011 Stock Option and Incentive Plan**	(12)
10.21	Form of Non-Qualified Stock Option Agreement for Company Employees under the 2011 Stock Option and Incentive Plan**	(12)
10.22	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors under the 2011 Stock Option and Incentive Plan**	(12)
10.23	Form of Restricted Stock Unit Award Agreement for Company Employees under the 2011 Stock Option and Incentive Plan**	(12)
10.24	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the 2011 Stock Option and Incentive Plan**	(12)
10.25	2007 Employee Stock Purchase Plan	(9)
10.26	General Severance Agreement dated as of February 12, 2013, by and between Timothy G. Daly and Enzon Pharmaceuticals, Inc.	(13)
10.27	Severance Agreement and Release of Claims, dated February 28, 2013, by and between Aby Buchbinder and Enzon Pharmaceuticals, Inc.	(14)
10.28	Separation Agreement, dated as of September 27, 2013, between Enzon Pharmaceuticals, Inc. and Andrew Rackear**	(17)
10.29	Separation Agreement, dated as of December 13, 2013, between Enzon Pharmaceuticals, Inc. and George W. Hebard III**	+
10.30	Independent Contractor Agreement, dated as of December 13, 2013, between Enzon Pharmaceuticals, Inc. and Richard L. Feinstein**	+
16.1	Letter of KPMG LLP dated August 12, 2013	(18)
21.1	Subsidiaries of Registrant	+
23.1	Consent of EisnerAmper LLP	+
23.2	Consent of KPMG LLP	+
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	+
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	+
32.1	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***	+
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002***	+
101	The following materials from Enzon Pharmaceuticals, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Stockholders' Equity, (iv) Consolidated Statements of Cash Flow, and (v) Notes to Consolidated Financial Statements.	+

+ Filed herewith

* Portions of this exhibit have been redacted and filed separately with the Commission pursuant to a confidential treatment request.

** Management contracts or compensatory plans and arrangements required to be filed pursuant to Item 601(b)(10)(ii)(A) or (iii) of Regulation S-K.

*** These certifications are not deemed filed by the Commission and are not to be incorporated by reference in any filing the Company makes under the Securities Act of 1933 or the Securities Exchange Act of 1934, irrespective of any general incorporation language in any filings.

Referenced exhibit was previously filed with the Commission as an exhibit to the Company's filing indicated below and is incorporated herein by reference to that filing:

(1) Quarterly Report on Form 10-Q for the quarter ended June 30, 2010 filed August 9, 2010

(2) Current Report on Form 8-K filed May 19, 2006

(3) Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 filed May 12, 1995

(4) Transition Report on Form 10-K for the six months ended December 31, 2005.

(5) Annual Report on Form 10-K for the fiscal year ended June 30, 2002 filed on September 26, 2002

(6) Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 filed November 9, 2005

(7) Quarterly Report on Form 10-Q for the quarter ended December 31, 2004 filed February 9, 2005

(8) Quarterly Report on Form 10-Q for the quarter ended March 31, 2005 filed May 10, 2005

(9) Registration Statement on Form S-8 (File No. 333-140282) filed January 29, 2007

(10) Annual Report on Form 10-K for the year ended December 31, 2008 filed March 9, 2009

(11) Current Report on Form 8-K filed November 12, 2009

(12) Registration Statement on Form S-8 (File No. 333-174099) filed May 10, 2011

(13) Current Report on Form 8-K filed February 12, 2013

(14) Current Report on Form 8-K filed February 28, 2013

(15) Annual Report on Form 10-K for the year ended December 31, 2012 filed March 18, 2013

(16) Quarterly Report on Form 10-Q for the quarter ended June 30, 2013 filed August 6, 2013

(17) Quarterly Report on Form 10-Q for the quarter ended September 30, 2013 filed November 12, 2013

(18) Current Report on Form 8-K filed August 12, 2013

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ENZON PHARMACEUTICALS, INC.
(Registrant)

Dated: March 14, 2014

/s/ George W. Hebard III
George W. Hebard III
Interim Principal Executive Officer and
Interim Chief Operating Officer
(Principal Executive Officer)

Dated: March 14, 2014

/s/ Richard L. Feinstein
Richard L. Feinstein
Vice President-Finance
Principal Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ George W. Hebard III George W. Hebard III	Interim Principal Executive Officer and Interim Chief Operating Officer (Principal Executive Officer)	March 14, 2014
/s/ Richard L. Feinstein Richard L. Feinstein	Vice President,- Finance Principal Financial Officer (Principal Financial Officer and Principal Accounting Officer)	March 14, 2014
/s/ Jonathan Christodoro Jonathan Christodoro	Chairman of the Board	March 14, 2014
/s/ Odysseas Kostas Odysseas Kostas	Director	March 14, 2014
/s/ Jennifer McNealey Jennifer McNealey	Director	March 14, 2014

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Stockholders
Enzon Pharmaceuticals, Inc. and Subsidiaries

We have audited the accompanying consolidated balance sheet of Enzon Pharmaceuticals, Inc. and Subsidiaries (the "Company") as of December 31, 2013, and the related consolidated statements of operations and comprehensive income, stockholders' equity, and cash flows for the year ended December 31, 2013. The consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Enzon Pharmaceuticals, Inc. and Subsidiaries as of December 31, 2013, and the results of their operations and their cash flows for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Enzon Pharmaceuticals, Inc. and Subsidiaries internal control over financial reporting as of December 31, 2013, based on criteria established in 1992 *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"), and our report dated March 14, 2014 expressed an unqualified opinion thereon.

/s/ EisnerAmper LLP

Iselin, New Jersey
March 14, 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Enzon Pharmaceuticals, Inc.:

We have audited the accompanying consolidated balance sheet of Enzon Pharmaceuticals, Inc. and subsidiaries (the Company) as of December 31, 2012, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the years in the two-year period ended December 31, 2012. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Enzon Pharmaceuticals, Inc. and subsidiaries as of December 31, 2012, and the results of their operations and their cash flows for each of the years in the two-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

As stated in Note 1 to the consolidated financial statements, in December 2012, the Company announced that its Board of Directors has retained a financial advisor to assist in reviewing the possible sale or disposition of one or more corporate assets or a sale of the Company and established a special committee to oversee the Company's sale review process. In connection with the sale review process, the Company has announced plans to suspend all clinical development activities.

/s/ KPMG LLP

Short Hills, New Jersey
March 18, 2013

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	December 31, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,520	$ 77,348
Marketable securities	-	119,391
Other current assets	511	1,904
Assets held for sale	90	-
Total current assets	7,121	198,643
Property and equipment	-	1,138
Total assets	$ 7,121	$ 199,781
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 93	$ 776
Accrued expenses and other current liabilities	1,215	5,688
Notes payable	-	115,849
Total current liabilities	1,308	122,313
Accrued rent liability	558	-
Total liabilities	1,866	122,313
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $0.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at December 31, 2013 and December 31, 2012	-	-
Common stock - $0.01 par value, authorized 170,000,000 shares; issued and outstanding 44,085,870 shares at December 31, 2013 and 43,674,170 shares at December 31, 2012	441	437
Additional paid-in capital	134,512	224,796
Accumulated other comprehensive income	-	83
Accumulated deficit	(129,698)	(147,848)
Total stockholders' equity	5,255	77,468
Total liabilities and stockholders' equity	$ 7,121	$ 199,781

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(In thousands, except per share amounts)

	Year Ended December 31,		
	2013	2012	2011
Revenues:			
Royalties	$ 33,846	$ 41,504	$ 40,923
Sale of in-process research and development	-	-	5,000
Contract research and development	-	126	1,431
Miscellaneous income	647	970	718
Total revenues	34,493	42,600	48,072
Operating expenses:			
Research and development – pipeline	2,715	20,892	40,180
Research and development – specialty and contracted services	-	113	926
General and administrative	8,843	14,475	17,281
General and administrative – contracted services	-	-	115
Impairment of property and equipment	-	11,263	-
Restructuring charges	4,776	(177)	6,025
Total operating expenses	16,334	46,566	64,527
Operating income (loss)	18,159	(3,966)	(16,455)
Other income (expense):			
Investment income, net	534	2,578	1,735
Interest expense	(2,124)	(5,330)	(5,929)
Other, net, primarily gain on sale of assets in 2013	1,553	(200)	91
Income (loss) before income tax (benefit) expense	18,122	(6,918)	(20,558)
Income tax (benefit) expense	(28)	(4,135)	205
Net income (loss)	$ 18,150	$ (2,783)	$ (20,763)
Income (loss) per common share			
Basic	$ 0.41	$ (0.06)	$ (0.40)
Diluted	0.38	$ (0.06)	$ (0.40)
Weighted average number of shares			
Basic	43,782	46,735	51,910
Diluted	51,045	46,735	51,910
Special cash dividend paid per common share	$ 2.05	$ 2.00	$ -

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
(Continued)
(In thousands, except per share amounts)

	Year Ended December 31,		
	2013	2012	2011
Other comprehensive income (loss):			
Unrealized gain (loss) on securities that arose during the year*	237	1,037	(671)
Reclassification adjustments*:			
(Gain) on sale of securities	(320)	(957)	(240)
Total other comprehensive income (loss)	(83)	80	(911)
Total comprehensive income (loss)	$ 18,067	$ (2,703)	$ (21,674)

* Information has not been tax-effected due to the establishment of a full allowance against any related net deferred tax asset.

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(In thousands)

	Common Stock		Additional	Accumulated Other		
	Number of Shares	Par Value	Paid-in Capital	Comprehensive Income (Loss)	Accumulated Deficit	Total
Balance, December 31, 2010	58,818	$ 588	$ 454,657	$ 914	$ (124,302)	$ 331,857
Net loss					(20,763)	(20,763)
Other comprehensive loss	-	-	-	(911)	-	(911)
Exercises of stock options	674	7	5,446	-	-	5,453
Stock-based compensation	191	2	1,916	-	-	1,918
Issuance of stock for employee stock purchase plan	41	-	420	-	-	420
Repurchases of common stock	(11,431)	(114)	(120,679)	-	-	(120,793)
Balance, December 31, 2011	48,293	$ 483	$ 341,760	$ 3	$ (145,065)	$ 197,181
Net loss	-	-	-	-	(2,783)	(2,783)
Other comprehensive income				80		80
Stock-based compensation	77	1	1,951	-	-	1,952
Issuance of stock for employee stock purchase plan	17	-	130	-	-	130
Repurchases of common stock	(4,713)	(47)	(31,697)	-	-	(31,744)
Common stock dividend	-	-	(87,348)	-	-	(87,348)
Balance, December 31, 2012	43,674	$ 437	$ 224,796	$ 83	$ (147,848)	$ 77,468
Net income	-	-	-	-	18,150	18,150
Other comprehensive loss				(83)		(83)
Stock-based compensation	409	4	(488)	-	-	(484)
Issuance of stock for employee stock purchase plan	3	-	12	-	-	12
Common stock dividend	-	-	(89,808)	-	-	(89,808)
Balance, December 31, 2013	44,086	$ 441	$ 134,512	$ -	$ (129,698)	$ 5,255

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2013	2012	2011
Cash flows from operating activities:			
Net income (loss)	$ 18,150	$ (2,783)	$ (20,763)
Adjustments to reconcile net income (loss) from continuing operations to net cash provided by (used in) operating activities:			
Depreciation	232	4,263	5,336
Amortization and write-off of debt issuance costs	193	541	567
Impairment of property and equipment	-	11,263	-
Stock-based compensation and employee stock purchase plan discount	(205)	2,119	3,139
Gain on sale of marketable securities	(320)	(957)	(240)
Gain on sale of assets	(1,554)	-	-
Amortization of purchase premium on marketable securities	735	3,042	1,539
Other	-	265	61
Changes in operating assets and liabilities:			
Decrease in other current assets	1,334	671	3,506
Decrease in accounts payable	(683)	(796)	(2,620)
Decrease in accrued expenses and other current liabilities	(3,877)	(9,176)	(3,250)
Net cash provided by (used in) operating activities	14,005	8,452	(12,725)
Cash flows from investing activities:			
Purchases of property and equipment	-	(23)	(630)
Proceeds from sale of fixed assets	2,234	9	4
Purchases of marketable securities	-	(208,267)	(263,061)
Proceeds from sales and maturities of marketable securities	118,894	305,838	104,448
Net cash provided by (used in) investing activities	121,128	97,557	(159,239)
Cash flows from financing activities:			
Common stock dividend	(89,808)	(87,348)	-
Repurchases of common stock	-	(31,744)	(120,793)
Retirement of notes payable	(115,849)	(13,862)	(5,000)
Proceeds from issuance of common stock	12	130	5,873
Withholding taxes – stock-based compensation	(283)	(137)	(1,155)
Redemptions from employee stock purchase plan, net	(33)	(24)	(167)
Net cash used in financing activities	(205,961)	(132,985)	(121,242)
Net decrease in cash and cash equivalents	(70,828)	(26,976)	(293,206)
Cash and cash equivalents at beginning of year	77,348	104,324	397,530
Cash and cash equivalents at end of year	$ 6,520	$ 77,348	$ 104,324

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

(1) Description of Business

Enzon Pharmaceuticals, Inc. (together with its subsidiaries, "Enzon" or the "Company") receives royalty revenues from existing licensing arrangements with other companies primarily related to sales of six marketed drug products, namely, PegIntron®, Sylatron®, Macugen®, CIMZIA®, Oncaspar and Adagen. The primary source of the Company's royalty revenues is sales of PegIntron, which is marketed by Merck & Co., Inc. ("Merck"). The Company currently has no clinical operations and limited corporate operations. The Company operates in one business segment. Royalty revenues from sales of PegIntron accounted for approximately 87%, 93% and 94% of the Company's total royalty revenues in 2013, 2012 and 2011, respectively.

The Company was previously dedicated to the research and development of innovative therapeutics for patients with high unmet medical needs. In December 2012, the Company announced that the Company's Board of Directors retained Lazard Frères & Co. LLC ("Lazard") to act as financial advisor in a review of the possible sale or disposition of one or more corporate assets or a sale of the Company and that the Company's Board of Directors established a special committee to oversee the Company's sale review process. In connection with the Company's sale review process, the Company substantially suspended all clinical development activities with a goal of conserving capital and maximizing value returned to the Company's stockholders. In April 2013, the Company announced that it had concluded a review of the sale or disposition of one or more corporate assets, or a sale of the Company. The review did not result in a definitive offer to acquire the Company or all or substantially all of the Company's assets. In the same announcement, the Company also announced that its Board of Directors intends to distribute excess cash, expected to arise from ongoing royalty revenues, in the form of periodic dividends to stockholders.

In April 2013, pursuant to the terms of an asset purchase agreement, the Company sold to Belrose Pharma, Inc. ("Belrose"), all right, title and interest to the Company's Customized PEGylation platform and related assets. The assets included (i) intellectual property and know-how associated with the PEGylation platform, (ii) patents and know-how related to PEG- SN-38, (iii) patents and know-how associated with certain of the Company's internal clinical programs and (iv) certain related supplies and equipment.

In September 2013, the Company entered into a sublease agreement, which was amended and restated in November 2013, with Axcellerate Pharma, LLC ("Axcellerate"), pursuant to which the Company subleases to Axcellerate a portion of the Company's premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas. The term of the sublease commenced on November 14, 2013 and will expire on July 30, 2021. The monthly fixed rent payable by Axcellerate to us under the sublease is as follows: (i) in year one, $10,417, (ii) in year two, $15,625, (iii) in year three, $20,833, (iv) in year four, $26,042 and (v) in each of years five through eight, $35,000. The sublease also provides for Axcellerate to pay additional rent to cover its applicable share of real estate taxes, operating expenses, sewer and gas usage, water usage, electricity usage and certain other charges incurred by Axcellerate.

In October 2013, the Company terminated its License and Collaboration Agreement with Santaris Pharma A/S ("Santaris") whereby Enzon returned to Santaris the rights to molecules utilizing LNA technology including the mRNA antagonists targeting Hypoxia-Inducible Factor-1 alpha (HIF-1 alpha), the Androgen Receptor (AR), HER3, and Beta-catenin.

The Company has no intention of resuming any clinical development activities or acquiring new sources of royalty revenues.

(2) Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated as part of the consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. These estimates include the carrying value of property and equipment, valuation of investments, legal and contractual contingencies, research and development expenses, stock-based compensation, and income taxes. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ from these estimates.

Financial Instruments and Fair Value

The carrying values of cash, cash equivalents, marketable securities and other current assets, accounts payable and accrued expenses in the Company's consolidated balance sheets approximated their fair values at December 31, 2013 and 2012 due to their short-term nature. As of December 31, 2013, the Company held no cash equivalents or marketable securities.

The Company's 4% Convertible Notes Payable (Note 6) at December 31, 2012 had a fair value of $117,079 and a carrying value of $115,849.

Cash Equivalents

The Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. As of December 31, 2012, the Company held $50.5 million of cash equivalents. As of December 31, 2013, the Company held no cash equivalents.

Marketable Securities

At December 31, 2013, the Company had no marketable securities.

Impairment assessments are made at the individual security level each reporting period. When the fair value of an investment is less than its cost at the balance sheet date, a determination is made as to whether the impairment is other-than-temporary and, if it is other-than-temporary, an impairment loss is recognized in earnings equal to the difference between the investment's amortized cost and fair value at such date.

Notes Payable

The carrying value of the Company's 4% convertible senior unsecured notes outstanding at December 31, 2012 was $115.8 million and the fair value of these notes was $117.1 million. Fair value of the Company's notes payable is based on quoted market prices. In June 2013, all of the notes were paid in full.

Property and Equipment and Assets Held for Sale

In connection with the sublease of a portion of its headquarters as discussed in Note 14, the Company plans to sell a portion of its property and equipment to Axcellerate and to sell its remaining property and equipment through a third party liquidator. As such, the Company has classified its property and equipment as Assets Held for Sale as of December 31, 2013. The Company reduced the carrying value of its property and equipment to its estimated fair market value based on third-party independent appraisals as of December 31, 2012.

Deferred Debt Issuance Costs

Costs incurred in issuing the Company's notes payable have been recorded as deferred debt issuance costs and are included within the balances of other assets and other current assets in the accompanying consolidated balance sheets. Such amounts were being amortized using the straight-line method, which approximated the effective interest method, over the terms of the related financing. The amortization of deferred debt issuance costs is included in interest expense in the accompanying consolidated statements of operations. At the time of repurchase or other extinguishment of notes, a pro rata amount of deferred debt issuance costs is written off to interest expense. Upon conversion of notes, a pro rata amount of deferred issuance costs is written off against additional paid-in capital. With the repayment of all outstanding notes in 2013, all remaining deferred debt issuance costs were written off.

Revenue Recognition

Royalty revenues from the Company's agreements with third parties is recognized when the Company can reasonably determine the amounts earned. In most cases, this will be upon notification from the third-party licensee, which is typically during the quarter following the quarter in which the sales occurred. The Company does not participate in the selling or marketing of products for which it receives royalties. No provision for uncollectible accounts is established upon recognition of revenues.

Contingent payments due under the asset purchase agreement for the sale of the Company's former specialty pharmaceutical business are recognized as income when the milestone has been achieved and collection is assured. Such payments are non-refundable and no further effort is required on the part of the Company or the other party to complete the earning process.

The Company has discontinued all research and development activities. Previously, it did not routinely participate in research and licensing arrangements that had multiple deliverables. The sale of the Company's former specialty pharmaceutical business, however, did involve the application of the guidance regarding multiple deliverables in separating the revenues associated with the sale of in-process research and development from the other elements of the transaction, principally the assets sold as part of discontinued operations and the continuing involvement of the Company in contract research activities. The Company determined that the in-process research and development had value to the buyer of the Company's former specialty pharmaceutical business on a stand-alone basis and that there was objective and reliable evidence available to support the allocation of the total purchase price to the respective units of accounting.

Research and Development Expenses

All research and development costs are expensed as incurred. These include the following types of costs incurred in performing research and development activities: preclinical research, clinical trials, clinical manufacturing costs, contract services, salaries, share-based compensation and benefits and administrative support costs. Non-refundable advance payments to acquire goods or pay for services that were expected to be consumed or performed in future periods were capitalized and amortized over the period of expected benefit. Costs to acquire in-process research and development projects and technologies that had no alternative future use at the date of acquisition were expensed as incurred.

Prior to the substantial suspension of the Company's clinical development programs, substantial portions of the Company's preclinical and clinical trial work were performed by third-party contract research organizations (CROs) and other vendors. The Company accrued expenses for costs for work performed by CROs based upon the estimated amount of the total effort completed on each study or project using factors such as the number of patients enrolled, the number of active clinical sites and the duration for which the patients were to be enrolled in the study. Similar approaches were taken in estimating the percentage of completion in relation to contracts with contract manufacturing organizations. The Company based the estimates on the information available at the time and recorded actual expenses as work was completed and invoiced.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized. The effect of a change in tax rates or laws on deferred tax assets and liabilities is recognized in operations in the period that includes the enactment date of the rate change. A valuation allowance is established to reduce the deferred tax assets to the amounts that are more likely than not to be realized from operations.

Tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. The Company has no liability for uncertain positions. Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense.

Concentrations of Risk

At December 31, 2013, the Company had invested none of its cash in financial instruments, nor does it anticipate holding such instruments in the future. In prior periods, holdings of financial instruments, were comprised, principally, of money market funds and debt securities.

Stock-Based Compensation Plans

The Company recognizes the cost of all share-based payment transactions at fair value. Compensation cost, measured by the fair value of the equity instruments issued, adjusted for estimated forfeitures, is recognized in the financial statements as the respective awards are earned.

The impact that share-based payment awards will have on the Company's results of operations is a function of the number of shares awarded, the trading price of the Company's stock at date of grant or modification and vesting, including the likelihood of achieving performance goals. Furthermore, the application of the Black-Scholes valuation model employs weighted average assumptions for expected volatility of the Company's stock, expected term until exercise of the options, the risk free interest rate, and dividends, if any to determine fair value. Expected volatility is based on historical volatility of the Company's common stock; the expected term until exercise represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and the Company's historical exercise patterns; and the risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option.

Cash Flow Information

Cash payments for interest on the Company's 4% convertible notes were approximately $2.3 million, $4.8 million, and $5.4 million for the years ended December 31, 2013, 2012 and 2011, respectively. There were approximately $ 186,000 (for which a refund request was submitted), $6,000 and $200,000 of income tax payments made for the years ended December 31, 2013, 2012 and 2011, respectively.

(3) Recently Adopted Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" (ASU 2013-02). ASU 2013-02 requires an entity to report the effect of significant reclassifications out of accumulated other comprehensive income on the respective line items in net income if the amount being reclassified is required under U.S. GAAP to be reclassified in its entirety to net income. The amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. An entity is required to provide this information together, in one location, either on the face of the statement where net income is presented or as a separate disclosure in the notes to the financial statements. The amendments are effective prospectively for reporting periods beginning after December 15, 2012. The adoption of ASU 2013-02 did not have a material impact on the Company's consolidated financial position or results of operations.

The FASB recently issued ASU "Presentation of Financial Statements (Topic 205) Liquidation Basis of Accounting" (ASU 2013-07) that requires an entity to prepare its financial statements using the liquidation basis of accounting when liquidation is imminent, as defined in ASU 2013-7. ASU 2013-7's objective is to eliminate diverse practices by providing guidance about when and how to apply the model. The guidance applies to all entities except for investment companies regulated under the Investment Company Act of 1940.

ASU 2013-7 is effective for both public and nonpublic entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods within those annual periods. An entity preparing its financial statements on a going-concern basis at the effective date that is required to use the liquidation basis of accounting is required to account for any differences between its existing measurements and the measurements under ASU 2013-7 through a cumulative-effect adjustment. Early adoption is permitted. The Company has evaluated the impact of ASU 2013-7 on the Company's consolidated financial statements, and has determined that it does not currently have an impact on Company's consolidated financial statements.

In July 2013, the FASB issued ASU 2013-11, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists." This update amends ASC 740, "Income Taxes," to require that in certain cases, an unrecognized tax benefit, or portion of an unrecognized tax benefit, should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward when such items exist in the same taxing jurisdiction. The amendments in this update are effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption is permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, and retrospective application is permitted. The Company is currently evaluating the impact this update will have on its consolidated financial statements.

(4) Marketable Securities

The Company held no marketable securities at December 31, 2013. The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's marketable securities by major security type at December 31, 2012 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
Corporate bonds	$ 86,769	$ 82	$ (11)	$ 86,840
Commercial paper	30,482	8	-	30,490
U.S. government agency	2,057	4	-	2,061
	$ 119,308	$ 94	$ (11)	$ 119,391

* Included in current marketable securities at December 31, 2012.

All marketable securities at December 31, 2012 were classified as available-for-sale.

As of December 31, 2012, the Company's marketable securities are all valued based on Level 2 inputs. Fair value is determined from available Level 2 vendor quoted prices utilizing observable inputs based on active markets. The Company utilizes a financial institution to provide pricing for securities in the Company's portfolio, and reviewed documentation from the sources that detailed the pricing techniques and methodologies used by these sources and determined if their policies adequately considered market activity, either based on specific transactions for the particular security type or based on modeling of securities with similar credit quality, duration, yield and structure that were recently transacted. At December 31, 2013, the Company held no marketable securities.

For the years ended December 31, 2013, 2012 and 2011, the Company realized net gains from the sale of marketable securities of $0.3 million, $0.9 million and $0.2 million, respectively. The Company includes realized gains and losses, if any, in the accompanying Consolidated Statements of Operations and Comprehensive Income, in Investment Income.

Maturities of marketable debt securities, based on contractual maturity, at December 31, 2012 were as follows (in thousands):

	Amortized Cost	Fair Value
Due in one year or less	$ 119,308	$ 119,391
	$ 119,308	$ 119,391

As of December 31, 2012, some of the Company's investments, with fair value of $38.1 million, were in an unrealized loss position. However, none of the underlying investments had been in a continuous loss position longer than twelve months and no other-than-temporary impairment was deemed to have occurred.

(5) Property and Equipment

All of the Company's property and equipment has been reclassified as Assets Held for Sale, aggregating approximately $90,000 at December 31, 2013. Property and equipment at December 31, 2012 consisted of the following (in thousands):

	December 31, 2012	Estimated Useful Lives
Leasehold improvements	$ 1,095	2-14 years*
Equipment	24,082	2-6 years
Furniture and fixtures and other	1,744	6 years
	26,921	
Less: Accumulated depreciation	25,783	
	$ 1,138	

* Shorter of the lease term or lives indicated

Depreciation charged to operations relating to property and equipment totaled $0.2 million, $4.3 million, and $5.3 million for the years ended December 31, 2013, 2012 and 2011, respectively.

For the year ended December 31, 2012, the Company recorded $11.3 million of non-cash impairment charges related to property and equipment to reduce the carrying value of these assets to fair market value based on third-party independent appraisals. These charges mostly relate to leasehold improvements representing the Company's process development laboratory and related equipment and were considered necessary in view of the Company's announcement of plans to suspend all clinical development activities.

(6) Notes Payable

The Company's 4 % convertible notes matured on June 1, 2013, and the Company repaid in full at maturity the outstanding principal amount of $115.8 million, together with accrued interest of approximately $2.1 million, thereon. As of December 31, 2012, the principal amount of the convertible notes outstanding was $115.8 million.

During 2012, the Company retired $13.6 million in principal amount of its then outstanding 4% convertible notes at a price above par and wrote-off approximately $62,000 of deferred debt issuance costs. As of December 31, 2012, the balance of unamortized deferred debt issuance costs was approximately $0.2 million. Accrued interest (included in accrued expenses) on the Company's 4% convertible notes amounted to $0.4 million as of December 31, 2012.

(7) Accrued Expenses and Other

Accrued expenses and other current liabilities consist of the following as of December 31, 2013 and 2012 (in thousands):

	December 31, 2013	December 31, 2012
Compensation	$ 85	$ 1,442
Severance benefits	332	777
Professional and consulting fees	150	360
Insurance and taxes	7	321
Interest	-	386
Clinical Trial	-	671
Legal	160	409
Rent	239	324
Other	242	998
	$ 1,215	$ 5,688

(8) Stockholders' Equity

Preferred Stock

The Company has authorized 3,000,000 shares of preferred stock in one or more series of which 600,000 had previously been designated as Series B in connection with the Rights Plan, which expired on May 16, 2012.

Common Stock

As of December 31, 2013, the Company reserved 7,189,876 shares of its common stock for the non-qualified and incentive stock plans.

Share Repurchase Programs

On December 21, 2010, the Company announced that its Board of Directors had authorized a share repurchase program, under which the Company is authorized to repurchase up to $200.0 million of the Company's outstanding common stock. During the first quarter of 2012, the Company announced its plans to resume repurchasing its outstanding common stock under this program. During 2012, the Company repurchased and retired 4,713,129 shares at a cost of $31.7 million, or an average cost of approximately $6.76 per share, under this program. No shares were repurchased during the year ended December 31, 2013. Since the inception of this program, the cumulative number of shares repurchased and retired through December 31, 2013 amounted to 16,174,578 shares at a total cost of $153.4 million, or an average cost of approximately $9.48 per share. Since the third quarter of 2012, the Company has suspended repurchases under the share repurchase program and does not currently intend to resume repurchases under the share repurchase program.

Rights Plan

The Company previously had a rights plan under which holders of the Company's common stock owned one preferred stock purchase right for each share of common stock owned by such holder. The rights expired on May 16, 2012.

(9) Sale of In-Process Research and Development

When the Company sold its former specialty pharmaceutical business in January 2010, it had retained its research and development organization. Prior to the sale, the Company's research and development function was engaged in, among other things, studies oriented towards the next-generation formulations of Oncaspar and Adagen, two products that were among those sold as part of the Company's former specialty pharmaceuticals business. The in-process research and development related to those two products was included in the sale. The $40.9 million selling price was management's best estimate of its standalone fair value based on the stage of development and consideration of future milestone payments. All necessary technology and know-how was transferred to the purchaser at the time of the sale, and the purchaser could resell the in-process research and development asset. The activities necessary to complete the work on the Oncaspar and Adagen next-generation formulations could be performed by the purchaser or others.

During 2011, the Company earned a $5.0 million milestone payment from the purchaser of the Company's former specialty pharmaceutical business resulting from the approval of a supplemental Biologic License Application (sBLA) for the manufacture of SS Oncaspar.

The Company has no research and development operations, currently, nor does it plan to conduct any such operations in the future.

(10) Contract Research and Development Revenue and Miscellaneous Income

Contract research and development is specific to the transition services agreement the Company entered into with the purchaser of the Company's former specialty pharmaceutical business. The transition services agreement was initiated in January 2010 at the time of the sale. It provided for a reimbursement for services provided by the Company plus a mark-up and totaled $0.1 million and $1.5 million for the years ended December 31, 2012 and 2011, respectively. The Company's contractual obligation was to assist with these transition services for a period of up to three years subsequent to the date of the sale, although the level of such activity declined significantly during 2011 and 2012. The transition services agreement was terminated by the purchaser on September 30, 2012.

Miscellaneous income includes income received pursuant to the transition services agreement related to general and administrative support to the purchaser of the Company's former specialty pharmaceutical business and sublease revenues received by the Company from tenants under terms of sublease agreements. These transitional services were $0.1 million for each of the years ended December 31, 2012 and 2011, respectively. Sublease revenues of $0.7 million and $0.6 million for 2012 and 2011, respectively, relate to the Company's leased facility in South Plainfield, New Jersey, which commenced in 2009 and ran through October 2012, and excess leased office space in Bridgewater, New Jersey, which commenced in 2011 as a result of the first quarter relocation to Piscataway, New Jersey and ran through January 2013. Sublease income in 2013, aggregated approximately $87,000, with approximately $16,000 relating to Axcellerate Pharma, LLC, the Company's subtenant at its Piscataway, New Jersey facility. (See Note 20, Leases.)

(11) Cash Dividend

On April 23, 2013, the Company's Board of Directors declared a special cash dividend of $1.60 per share of common stock. This special cash dividend was paid on June 4, 2013 to stockholders of record as of May 7, 2013.

On December 5, 2013, the Company's Board of Directors declared a special cash dividend of $0.45 per share of common stock. This special cash dividend was paid on December 23, 2013 to stockholders of record as of December 16, 2013.

On November 29, 2012, the Company's Board of Directors declared a special cash dividend of $2.00 per share of common stock. This special cash dividend was paid on December 21, 2012 to stockholders of record as of December 10, 2012.

(12) Income (Loss) Per Common Share

Basic income and loss per common share is computed by dividing the income (loss) from continuing operations and net income (loss) by the weighted average number of shares of common stock outstanding during the period. Restricted stock awards and restricted stock units (collectively, nonvested shares) are not considered to be outstanding shares until the service or performance vesting period has been completed.

The diluted income and loss per share calculation would normally involve adjusting both the denominator and numerator as described here if the effect is dilutive. The denominator would include both the weighted average number of shares of common stock outstanding and common stock equivalents. Dilutive common stock equivalents potentially include stock options and nonvested shares using the treasury stock method, shares issuable under the employee stock purchase plan (ESPP), and the number of shares issuable upon conversion of the Company's 4% convertible notes payable. In the case of notes payable, the diluted earnings per share calculation would be further affected by an add-back of interest to the numerator under the assumption that the interest would not have been incurred if the notes were converted into common stock.

In a period in which a loss from continuing operations is reported, all computations of diluted per-share amounts for that period must be made exclusive of potential dilutive shares and the add-back of interest. Accordingly, for each of the two years ended December 31, 2012 and 2011, diluted loss per share for loss from continuing operations and net loss are the same as the corresponding basic loss per share.

For the year ended December 31, 2013, stock options to purchase approximately 22,000 shares of common stock were excluded from the calculation of diluted earnings per share as their inclusion would be anti-dilutive. For the years ended December 31, 2012 and 2011, the Company had potentially dilutive common stock equivalents excluded from the computation of diluted earnings per share amounting to 17.1 million and 17.4 million, shares, respectively.

(13) Restructurings

The Company incurred the following charges in connection with its restructuring programs during the years ended December 31, 2013, 2012 and 2011 (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Employee separation benefits:			
Fourth-quarter 2013	$ 1,018	$ -	$ -
Third-quarter 2013	25	-	-
Second-quarter 2013	596	-	-
First-quarter 2013	2,394	-	-
Fourth-quarter 2011	-	(19)	1,485
Third-quarter 2011	(32)	(200)	2,835
Second-quarter 2011	-	-	734
Fourth-quarter 2010	-	(20)	(72)
First-quarter 2010	-	-	(60)
	4,001	(239)	4,922
Other restructuring costs:	775	62	1,103
Total restructuring charges	$ 4,776	$ (177)	$ 6,025

Employee Separation Benefits

During 2013, the Company incurred separation costs of $4.0 million relating to terminating employees. During 2013 and 2012, prior accruals for certain benefits provided to existing employees were adjusted downward by $32,000 and $0.2 million, respectively, based on accrual utilization.

During the fourth quarter of 2011, the Company recorded total restructuring charges in the amount of $1.4 million, of which $1.1 million related to the departure of the Company's former Chief Operating Officer and Principal Executive Officer, for severance payments and benefits payable under the terms of his severance agreement then in effect. Additionally, there were several research and development positions identified for elimination resulting in a charge of approximately $0.3 million for separation benefits.

During the third quarter of 2011, the Company announced a plan to reduce its workforce and operating costs to more closely align its resources and capital with the Company's research and development activities. The reduction in force reduced the number of employees to a total of approximately 47 by June 2012. Separation payments were made for up to a year following the respective separations. In connection with this restructuring, the Company recorded in the third quarter of 2011 a charge of approximately $2.9 million for separation benefits.

During the second quarter of 2011, the Company recorded a restructuring charge in the amount of $0.7 million related to the departure of the Company's Executive Vice President, Human Resources & Administration for severance payments and benefits that are payable under the terms of the Severance and Release Agreement.

The following table summarizes the changes in the Company's accrued restructuring liabilities for the year ended December 31, 2013 and 2012 (in thousands):

Employee Separation Benefits

	2013	2012
Balance, beginning of year	$ 777	$ 4,484
Payments made	(4,648)	(3,468)
Adjustments	(167)	(252)
Restructuring accruals	4,943	13
Balance, end of year	$ 905	$ 777

Other Restructuring Costs

During the third quarter of 2011, the Company recorded a restructuring charge in the amount of $0.7 million to terminate an operating lease related to the third and first floors of the its former Bridgewater, New Jersey headquarters facility. As of December 31, 2012, these accrued liabilities were fully utilized.

During the first quarter of 2011, the Company recorded a restructuring charge in the amount of $0.4 million related to the excess of committed lease costs over potential sublease income for office space in Bridgewater, New Jersey that was vacated during the quarter when the Company relocated its corporate headquarters to Piscataway, New Jersey.

(14) Stock Options

Through the Compensation Committee of the Company's Board of Directors, the Company administers the 2011 Stock Option and Incentive Plan, which provides incentive and non-qualified stock option benefits for employees, officers, directors and independent contractors providing services to Enzon and its subsidiaries. The 2011 Stock Option and Incentive Plan was adopted by the Board of Directors in March 2011 and approved by the stockholders in May 2011. Prior to this, the Company administered the 2001 Incentive Stock Plan, which was adopted by the Company's Board of Directors in October 2001 and approved by the stockholders in December 2001. Options granted to employees generally vest over four years from date of grant and options granted to directors vest after one year. The exercise price of the options granted must be at least 100 percent of the fair value of the Company's common stock at the time the options are granted. Options may be exercised for a period of up to ten years from the grant date. As of December 31, 2012, the 2011 plan authorized equity-based awards for 5 million common shares of which about 4.1 million shares remain available for grant. Option grants remain outstanding from previous awards under the 2001 Incentive Stock Plan and an earlier 1987 Non-Qualified Stock Option Plan; however, there will be no further grants made pursuant to those plans.

2013 Outside Director Compensation Plan

In January 2013, the Governance and Nominating Committee reviewed director compensation in view of changes in the size and direction of the Company and trends in director compensation at peer group companies. In January 2013, the Board of Directors adopted the 2013 Outside Director Compensation Plan, which remained in effect until the Amended and Restated 2013 Outside Director Compensation Plan (described below) became effective on July 1, 2013. Under the 2013 Outside Director Compensation Plan, each non-employee director receives an annual grant of stock options on the first trading day of the calendar year with a Black-Scholes value of $25,000 and an exercise price equal to the closing price of the Company's Common Stock on the date of grant (the "2013 Plan Annual Option Grant") and an annual grant of restricted stock units settled in shares of Common Stock on the first trading day after June 30 of each calendar year with a value of $50,000 (the "2013 Plan Annual Restricted Stock Grant"). These grants are made under the Company's equity compensation plans. The 2013 Plan Annual Option Grant vests in one tranche on the first anniversary of the date of grant if the recipient director remains on the Company's Board of Directors on that date. Once vested, options granted pursuant to the 2013 Plan Annual Option Grant expire on the 10th anniversary of the date of grant. The number of shares issued in the 2013 Plan Annual Restricted Stock Grant will be equal to $50,000 divided by the closing price of the Company's Common Stock on the date of grant. The shares covered by the 2013 Plan Annual Restricted Stock Grant vest in three equal tranches on each of the first three anniversaries of the date of grant if the recipient director remains on the Company's Board of Directors on each such date. Upon the election of a new non-employee director to the Board of Directors , such newly elected director will receive a grant of stock options with a Black-Scholes value of $25,000 (the exercise price of which will be equal to the closing price of our Common Stock on the date of grant) and a grant of restricted stock units settled in shares of Common Stock with a value of $50,000 (the number of shares covered by such grant being equal to $50,000 divided by the closing price of our Common Stock on the date of grant) (the "2013 Plan Welcome Grant"). The options and restricted stock units included in the 2013 Plan Welcome Grant vest in three equal tranches on each of the first three anniversaries of the date of grant, if the recipient director remains on the Board of Directors on each such date. For the Chairperson of the Board of Directors, if such Chairperson is not an employee of the Company, the value of the options and restricted stock units covered by the 2013 Plan Annual Option Grant, Annual Restricted Stock Grant and 2013 Plan Welcome Grant are twice the amounts mentioned above. For the Vice-Chairperson of the Board of Directors, if such Vice-Chairperson is not an employee of the Company, the value of the options and restricted stock units covered by the 2013 Plan Annual Option Grant, 2013 Plan Annual Restricted Stock Grant and 2013 Plan Welcome Grant are 1.75 times the amounts mentioned above. In addition, under the 2013 Outside Director Compensation Plan, each non-employee director receives an annual cash retainer of $30,000. Non-employee directors also receive an additional annual cash retainer of $18,000 for service as chair of the Finance and Audit Committee and $8,000 for service as chair of any other committee. Non-employee directors receive an additional annual cash retainer of $8,000 for service as members of the Audit and Finance Committee, an annual cash retainer of $4,000 for each other committee on which they serve but do not chair.

Amended and Restated 2013 Outside Director Compensation Plan

In June 2013, the Governance and Nominating Committee further reviewed director compensation in view of changes in the size and direction of our company. The Governance and Nominating Committee recommended further changes to eliminate equity grants and reduce cash compensation to non-employee directors. Based upon these recommendations, in June 2013, the Board adopted the Amended and Restated 2013 Outside Director Compensation Plan, which became effective on July 1, 2013. Under the Amended and Restated 2013 Outside Director Compensation Plan, each non-employee director (i) receives an annual cash retainer of $30,000, (ii) for service as chair of the Finance and Audit Committee receives an additional annual cash retainer of $10,000 and (iii) for service as a member of the Finance and Audit Committee receives an additional annual cash retainer of $5,000. These annual cash retainers are payable quarterly at the end of each quarter, beginning with the third quarter of the fiscal year ending December 31, 2013.

Directors who are employees of our company do not receive compensation for their service on the Board.

In March 2011, the Company's Board of Directors adopted a new compensation plan for non-employee directors, effective April 1, 2011. Under the 2011 Outside Director Compensation Plan, each non-employee director receives an annual grant of stock options (Annual Option Grant) on the first trading day of the calendar year with a Black-Scholes value of $25,000 and an exercise price equal to the closing price of the Company's common stock on the date of grant. The Annual Option Grant vests in one tranche on the first anniversary, provided that the recipient director remains on the Board, and expires on the tenth anniversary of the date of grant. In addition, upon the election of a new non-employee director to the Board, such newly elected director receives a Welcome Grant of stock options with a Black-Scholes value of $25,000 and an exercise price equal to the closing price of the Company's common stock on the date of grant. The Welcome Grant vests in three equal tranches on each of the first three anniversaries, provided that the recipient director remains on the Board, and expires on the tenth anniversary of the date of grant. Furthermore, for a non-employee Chairperson of the Board, the value of options covered by the Annual Option Grant and the Welcome Grant shall be twice the amounts mentioned above. For a non-employee Vice-Chairperson of the Board of Directors, the value of options covered by the Annual Option Grant and the Welcome Grant shall be one and a half times the amounts mentioned above. Options granted in accordance with the 2011 Outside Director Compensation Plan will be made under the 2011 Stock Option and Incentive Plan.

Prior to April 1, 2011, under the 2007 Outside Director Compensation Plan, each non-employee director received an annual grant of stock options (Annual Option Grant) on the first trading day of the calendar year with a Black-Scholes value of $75,000 and an exercise price equal to the closing price of the Company's common stock on the date of grant. The Annual Option Grant vested in one tranche on the first anniversary, provided that the recipient director remained on the Board, and expired on the tenth anniversary of the date of grant. In addition, upon the election of a new non-employee director, such newly elected director received a Welcome Grant of stock options with a Black-Scholes value of $75,000 and an exercise price equal to the closing price of the Company's common stock on the date of grant. The Welcome Grant vested in three equal tranches on each of the first three anniversaries, provided that the recipient director remained on the Board of Directors and expired on the tenth anniversary of the date of grant. Furthermore, for a non-employee Chairperson of the Board of Directors, the value of options covered by the Annual Option Grant and Welcome Grant were twice the amounts mentioned above. Options granted in accordance with the 2007 Outside Director Compensation Plan were made under the 2001 Incentive Stock Plan.

On April 23, 2013, the Company's Board of Directors declared a special cash dividend of $1.60 per share of common stock. This special cash dividend was paid on June 4, 2013 to stockholders of record as of May 7, 2013. On December 5, 2013, the Company's Board of Directors declared a special cash dividend of $0.45 per share of common stock. This special cash dividend was paid on December 23, 2013 to stockholders of record as of December 16, 2013. In connection with these two special cash dividends, the Compensation Committee of the Company's Board of Directors approved equitable adjustments to the Company's outstanding stock options and restricted stock units. The compensation cost recognized during 2013 relating to these modifications was approximately $4,000.

On November 29, 2012, the Company's Board of Directors declared a special cash dividend of $2.00 per share of common stock. This special cash dividend was paid on December 21, 2012 to stockholders of record as of December 10, 2012. In connection with this special cash dividend, the Compensation Committee of the Company's Board of Directors approved equitable adjustments to the Company's outstanding stock options and restricted stock units. The compensation cost recognized during 2012 relating to this modification was $41,000.

The following is a summary of the activity in the Company's outstanding Stock Option Plans, which include the 2011 Stock Option and Incentive Plan, the 2001 Incentive Stock Plan, and the 1987 Non-Qualified Stock Option Plan (options in thousands):

	Options	Weighted Average Exercise Price Per Option	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value ($000)
Outstanding at January 1, 2013	2,292	$ 6.99		
Granted at exercise prices which equaled the fair value on the date of grant	156	$ 2.94		
Exercised	-	$ -		
Forfeited	(221)	$ 3.03		
Expired	(102)	$ 10.86		
Outstanding at December 31, 2013	2,125	$ 6.90	2.85	$ -
Vested and expected to vest at December 31, 2013	2,125	$ 6.90	2.85	$ -
Exercisable at December 31, 2013	2,051	$ 7.06	2.64	$ -

As of December 31, 2013, there was no unrecognized compensation cost related to unvested options that the Company expects to recognize.

The weighted-average grant-date fair value of options granted during the years ended December 31, 2013, 2012 and 2011 was $1.24, $2.08 and $3.29, respectively. The total intrinsic value of options exercised during the years ended December 31, 2013, 2012 and 2011 was $0, $0 and $1.9 million, respectively

In the years ended December 31, 2013, 2012 and 2011, the Company recorded stock-based compensation of $0.1 million, $0.4 million and $0.7 million, respectively, related to stock options. The Company did not realize a net tax benefit related to stock-based compensation expense. The Company's policy is to use newly issued shares to satisfy the exercise of stock options.

The breakdown of stock-based compensation expense related to stock options by major line caption in the statements of operations is shown below (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Research and development	$ 5	$ 16	$ 26
General and administrative	75	371	684
	$ 80	$ 387	$ 710

Cash received from exercises of stock options for the years ended December 31, 2013, 2012 and 2011, was $0, $0 and $5.5 million, respectively.

The weighted average assumptions used in the Black-Scholes option-pricing model for expected volatility, expected term until exercise and risk-free interest rate are shown in the table below. Expected volatility is based on historical volatility of the Company's common stock. The expected term of options is estimated based on the Company's historical exercise pattern. The risk-free interest rate is based on U.S. Treasury yields for securities in effect at the time of grant with terms approximating the expected term until exercise of the option. No dividend payments were factored into the valuations. Forfeiture rates, used for determining the amount of compensation cost to be recognized over the service period, are estimated based on stratified historical data.

	Year Ended December 31,		
	2013	2012	2011
Expected volatility	34.3 %	40 %	42 %
Expected term (in years)	4.0 %	4.0 %	4.1 %
Risk-free interest rate	0.8 %	0.8 %	1.5 %

(15) Restricted Stock Awards and Restricted Stock Units (Nonvested Shares)

The 2011 Stock Option and Incentive Plan and, prior to that, the 2001 Incentive Stock Plan provide for the issuance of restricted stock awards and restricted stock units (collectively, nonvested shares) to employees, officers and directors. These awards are issued by the Company effective as of the grant date, in the case of restricted stock awards, or upon the vesting date, in the case of a restricted stock unit. The recipient pays no cash to receive the shares, other than the $0.01 par value per share in some cases. These awards have vesting periods of three to five years when based solely on service. Certain awards have performance goals, which, if met, result in accelerated vesting that could be shorter than three years. If the performance goals are not met, the awards continue to vest over time. All nonvested shares are valued at fair value. The market price of the Company's stock at grant date is factored by an expected vesting period forfeiture rate based on stratified historical data related to the assumed vesting period. This amount is then amortized over the vesting period on a straight-line basis for those awards that vest based solely on service. For awards subject to performance-based accelerated vesting, the Company monitors progress against performance goals and accelerates the compensation expense as appropriate.

Under the 2011 Outside Director Compensation Plan, each non-employee director receives an annual grant of restricted stock units (Annual Restricted Stock Grant) settled in shares of common stock on the first trading day after June 30 of each calendar year with a value of $75,000. The Annual Restricted Stock Grant vests in three equal tranches on each of the first three anniversaries of the date of grant, provided that the recipient director remains on the Board. In addition, upon the election of a new non-employee director to the Board, such newly elected director receives a Welcome Grant of restricted stock units settled in shares of common stock with a value of $100,000. The Welcome Grant vests in three equal tranches on each of the first three anniversaries of the date of grant, provided that the recipient director remains on the Board. Furthermore, for a non-employee Chairperson of the Board, the value of restricted stock units covered by the Annual Restricted Stock Grant and the Welcome Grant shall be twice the amounts mentioned above. For a non-employee Vice-Chairperson of the Board, the value of options covered by the Annual Restricted Stock Grant and the Welcome Grant shall be one and a half times the amounts mentioned above. Restricted stock units granted in accordance with the 2011 Outside Director Compensation Plan will be made under the 2011 Stock Option and Incentive Plan.

Prior to April 1, 2011, under the 2007 Outside Director Compensation Plan, each non-employee director received an annual grant of restricted stock (Annual Restricted Stock Grant) settled in shares of common stock on the first trading day after June 30 of each calendar year with a value of $75,000. The Annual Restricted Stock Grant vested in three equal tranches on each of the first three anniversaries of the date of grant, provided that the recipient director remained on the Board. In addition, upon the election of a new non-employee director, such newly elected director received a Welcome Grant of restricted stock with a value of $75,000. The Welcome Grant vested in three equal tranches on each of the first three anniversaries of the date of grant, provided that the recipient director remained on the Board. Furthermore, for a non-employee Chairperson of the Board, the value of restricted stock covered by the Annual Restricted Stock Grant and Welcome Grant were twice the amounts mentioned above. Restricted stock units granted in accordance with the 2007 Outside Director Compensation Plan were made under the 2001 Incentive Stock Plan.

In connection with the Company's special cash dividends of $1.60 per share of common stock paid on June 4, 2013 and $0.45 per share of common stock paid on December 23, 2013 (See Note 11) the Company's Board of Directors approved equitable adjustments to the Company's outstanding stock options and restricted stock units.

A summary of nonvested shares as of December 31, 2013 and changes during the year ended December 31, 2013 is provided below (shares in thousands):

	Number of Nonvested Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested at January 1, 2013	868	$ 9.06
Granted	-	$ -
Vested	(534)	$ 9.47
Forfeited	(655)	$ 8.77
Adjustment pursuant to special dividend	487	$ 8.77
Nonvested at December 31, 2013	166	$ 8.13

The total grant-date fair value of nonvested shares that vested during the year ended December 31, 2013 was $2.0 million.

As of December 31, 2013 there was no unrecognized compensation cost related to nonvested shares that the Company expects to be recognized.

In 2013, the Company reversed stock-based compensation costs based on revised estimates. Accordingly, for the years ended December 31, 2013, 2012 and 2011, the Company recorded stock-based compensation expense of $(0.3) million, $1.7 million and $2.4 million, respectively, related to nonvested share awards, which is included in the Company's net income for each respective period.

Shares withheld to pay $0.3 million of taxes on behalf of the employees resulted in a net incremental charge to additional paid in capital of $0.5 million in 2013. Shares withheld to pay $0.1 million of taxes on behalf of the employees resulted in a net incremental charge to additional paid in capital of $2.0 million in 2012. During 2011, shares were withheld to pay $1.1 million of taxes on behalf of employees resulted in a net incremental credit to additional paid in capital of $1.9 million. There has been no tax benefit realized to date related to tax deductions for nonvested shares.

The breakdown of stock-based compensation expense related to nonvested shares by major line caption in the statements of operations is shown below (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Research and development	$ 210	$ 737	$ 1,281
General and administrative	(491)	965	1,082
	$ (281)	$ 1,702	$ 2,363

(16) Employee Stock Purchase Plan

The 2007 Employee Stock Purchase Plan (ESPP) permits eligible employees to purchase common stock through payroll deductions which may not exceed 15 percent of the employee's compensation, as defined, at a price equal to 85 percent of the fair market value of the shares at the beginning of the offering period (grant date) or at the end of the offering period (purchase date), whichever is lower. There are two six-month offering periods in each plan fiscal year, beginning April 1 and October 1. The ESPP is intended to qualify under section 423 of the Internal Revenue Code. Individual participant purchases within a given calendar year are limited to $25,000 ($21,250 based on the 15-percent discount) and no more than 2,500 shares on any single purchase date. An additional one million shares were reserved for issuance under the plan. All benefit-eligible employees of the Company may participate in the ESPP other than those who own shares or hold options or nonvested shares representing a combined 5 percent or more of the voting power of the Company's outstanding stock. The ESPP was terminated on April 1, 2013.

The fair value of shares to be issued under the ESPP is estimated at the grant date and is comprised of two components: the 15 percent discount to fair value of the shares at grant date and the value of the option granted to participants pursuant to which they may purchase shares at the lower of either the grant date or the purchase date fair value. The option component is valued using the Black-Scholes option pricing model.

The initial assumptions used in the valuation for each offering period, April 1 and October 1, are reflected in the following table (no dividends were assumed):

	2013		2012		2011	
	October	April	October	April	October	April
Expected volatility	N/A	26.34 %	26.34 %	36.28 %	32.02 %	22.17 %
Expected term (in years)	N/A	0.5	0.5	0.5	0.5	0.5
Risk-free interest rate	N/A	0.15 %	0.15 %	0.35 %	0.12 %	0.20 %

Increases in individual withholding rates within the offering period could have the effect of establishing a new measurement date for that individual's future contributions. In 2013, in connection with the termination of the ESPP, the Company recorded income of approximately $4,000 as the reversal of previously accrued expense. Compensation expense recognized for the ESPP was approximately $0, $24,000 and $66,000 for the years ended December 31, 2013, 2012 and 2011, respectively. Amounts withheld from participants are classified as cash from financing activities in the cash flow statement and as a liability in the balance sheet until such time as shares are purchased. There were no stock purchases under the ESPP during the year ended December 31, 2013. There were two stock purchases under the ESPP during the year ended December 31, 2012. Based upon the purchase price established as of March 31, 2012 and September 30, 2012, 17,339 shares were allocated under the plan in the year.

Cash received from ESPP for the years ended December 31, 2012, and 2011 was $0 and $0.1 million, respectively. In 2013, in connection with the termination of the ESPP, the Company refunded $14,000.

The categorization of stock-based compensation expense by major line caption in the statement of operations is shown below (in thousands).

	Year Ended December 31,		
	2013	2012	2011
Research and development	$ (3)	$ 17	$ 36
General and administrative	(1)	12	30
	$ (4)	$ 29	$ 66

(17) Income Taxes

The components of the income tax provision related to continuing operations are summarized as follows (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Current:			
Federal	$ (30)	$ 30	$ -
State and foreign	2	(4,165)	205
Total current	(28)	(4,135)	205
Deferred: Federal and State	-	-	-
Income tax provision (benefit)	$ (28)	$ (4,135)	$ 205

The following table represents reconciliation between the reported income taxes and the income taxes that would be computed by applying the federal statutory rate (35%) to income from continuing operations before taxes (in thousands):

	Year Ended December 31,		
	2013	2012	2011
Income tax benefit computed at federal statutory rate	$ 6,313	$ (2,421)	$ (7,195)
Nondeductible expenses	183	119	205
Add (deduct) effect of:			
Federal research and development tax credits	-	-	(1,339)
Tax on earnings of foreign subsidiary	-	(26)	174
State income taxes, net of federal tax	2	(2,672)	20
Effect of change in federal law	-	-	-
Increase (decrease) in beginning of period valuation allowance	(6,526)	865	8,340
Income tax provision (benefit)	$ (28)	$ (4,135)	$ 205

Income tax expense in 2012 was primarily comprised of a state income tax benefit of $4.2 million related to the sale of New Jersey net operating losses and research and development credits. No federal income tax expense was incurred in relation to normal operating results due to the utilization of deferred tax assets to offset taxes that would otherwise accrue to operating income.

As of December 31, 2013 and 2012, the tax effects of temporary differences that give rise to the deferred tax assets and deferred tax liabilities are as follows (in thousands):

	December 31, 2013	December 31, 2012
Deferred tax assets:		
Federal and state net operating loss carryforward	$ 56,198	$ 56,329
Research and development credits carryforward	25,379	25,379
Acquired in-process research and development	-	6,613
Basis difference in fixed Assets	3,526	4,264
Capital loss carryforwards	3,663	3,165
Share-based compensation	2,518	3,007
Federal alternative minimum tax credits	1,530	1,560
Writedown of carrying value of investment	-	613
Accrued compensation	84	-
Other	1,537	1,167
Total gross deferred tax assets	94,435	102,097
Less valuation allowance	(94,435)	(102,063)
	-	34
Deferred tax liabilities:		
Unrealized gain on investment securities	-	(34)
	-	(34)
Net deferred tax assets	$ -	$ -

A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized. At December 31, 2013, the Company had federal net operating loss carryforwards of approximately $144.0 million that expire in the years 2020 through 2031 and New Jersey state net operating loss carryforwards of approximately $65.2 million that expire in the years 2029 through 2031. The Company also has federal research and development tax credit carryforwards of approximately $20.8 million for tax reporting purposes that expire in the years 2017 through 2031. In addition, the Company has $4.3 million of state research and development tax credit carryforwards that expire in the years 2015 through 2026. The Company's ability to use the net operating loss and research and development tax credit carryforwards is subject to certain limitations due to ownership changes, as defined by rules pursuant to Section 382 of the Internal Revenue Code of 1986, as amended.

As of December 31, 2013, management believes that it is more likely than not that the net deferred tax assets will not be realized, based on assumptions regarding future operations, consideration of tax strategies and the reversal of deferred tax liabilities. As of December 31, 2013 and 2012, the Company had deferred tax assets of $94.4 million and $102.1 million, respectively. The Company has maintained a valuation allowance of $94.4 million and $102.1 million at December 31, 2013 and 2012, respectively.

The Company files income tax returns in the U.S. federal jurisdiction, various state jurisdictions and Canada. The Company is currently under examination by the U.S. Internal Revenue Service, with the tax years 2010 through 2011 remaining open to examination. State income tax returns for the states of New Jersey and Indiana are generally subject to examination for a period of 3-4 years after filing of the respective returns. These state income tax returns are not currently under examination. Income tax returns for Canada are generally subject to examination for a period of 3-5 years after filing of the respective return. The Company's income tax returns are currently not under examination by Revenue Canada.

(18) Significant Agreements

Merck Agreement

As a result of a November 1990 agreement, the Company's PEGylation technology was used to develop an improved version of the product INTRON A, PegIntron. Merck is responsible for marketing and manufacturing PegIntron on an exclusive worldwide basis and the Company receives royalties on worldwide sales of PegIntron for all indications. The Company has no involvement in the selling or marketing of PegIntron. Merck's obligation to pay the Company royalties on sales of PegIntron terminates, on a country-by-country basis, upon the later of the date on which the last patent to contain a claim covering PegIntron expires in the country or 15 years after the first commercial sale of PegIntron in such country. Currently, expirations are expected to occur in 2016 in the U.S., 2018 in Europe and 2019 in Japan. The royalty percentage to which the Company is entitled will be lower in any country where a PEGylated alpha-interferon product is being marketed by a third party in competition with PegIntron where such third party is not Hoffmann-La Roche. Either party may terminate the agreement upon a material breach of the agreement by the other party that is not cured within 60 days of written notice from the non-breaching party or upon declaration of bankruptcy by the other party. During the quarter ended September 30, 2007, the Company sold a 25-percent interest in future royalties payable to it by Merck on net sales of PegIntron occurring after June 30, 2007.

Sigma-Tau Group

The Company sold its former specialty pharmaceutical business to Klee Pharmaceuticals Inc. (now known as Sigma-Tau PharmaSource, Inc.), Defiante Farmacêutica, S.A and sigma-tau Finanziaria S.p.A. (collectively, the Sigma-Tau Group) in January 2010. In addition to the initial sale of assets which has been reflected in the Company's financial statements for the year ended December 31, 2010, the sale agreement provides for certain potential future payments due to Enzon of up to $27.0 million contingent upon the achievement of the following regulatory approval-related milestones:

- $5.0 million due for accelerated European Medicines Agency (EMA, formerly known as EMEA) approval, in addition to the amount due for non-accelerated EMA approval, for SC Oncaspar;
- $5.0 million due for FDA approval for SS Oncaspar;
- $7.0 million due for FDA approval for SC Oncaspar; and
- $10.0 million due for non-accelerated EMA approval for SC Oncaspar.

In addition, the sale agreement provides for royalties potentially due to Enzon, beginning in 2010, of 5 to 10 percent on incremental net sales (net sales above a 2009 baseline amount) through 2014 of the Company's former four marketed specialty pharmaceutical products sold to Sigma-Tau Group.

The Company has no direct involvement in, and no obligations to perform services or activities related to, obtaining the above regulatory approvals or achieving commercial sales for the four marketed products. The Company recognizes revenue only upon notification from Sigma-Tau Group that the conditions necessitating payment of the milestone or royalty were achieved. In the case of the royalty, revenue is recognized in the quarter following the quarter in which the sales occurred.

During the first quarter of 2011, the Company earned the $5.0 million due for FDA approval for SS Oncaspar. Approximately $ 0.5 million of royalty revenues were recognized in 2011 pursuant to this provision of the sale agreement. No additional revenue from this source was received, subsequently. There can be no assurance that the Company will receive any of the remaining $17.0 million of milestone payments or any future royalty revenues beyond those recognized to date.

At the time of the sale, the Company also entered into a transition services agreement with Sigma-Tau Group whereby Enzon would perform product-support research and development services for up to three years and provide various general and administrative functions for up to one year following the closing of the transaction. In consideration for this work, Enzon was being compensated based upon costs incurred plus a mark-up defined in the transition services agreement. The services were performed at the request of Sigma-Tau Group as a convenience to them and could have been performed by other companies in this industry with similar capabilities. The transition services agreement was terminated by the purchaser on September 30, 2012.

Santaris Pharma A/S License Agreement

In July 2006, the Company entered into a license agreement with Santaris Pharma A/S (Santaris) pursuant to which the Company obtained exclusive rights worldwide, other than in Europe, to develop and commercialize RNA antagonists directed against the HIF-1α and Survivin mRNA (which was returned to Santaris in late 2012), as well as RNA antagonists directed against six additional gene targets selected by the Company. Since inception of the agreement, initial acquisition of in-process research and development and milestone payments have been made totaling $34.0 million, including milestone payments of $0.0 million, $0.0 million, and $7.0 million in 2013, 2012, and 2011, respectively, included in research and development expense in the accompanying statements of operations. This agreement provided that any one of the compounds licensed by us from Santaris could be returned to Santaris if the findings of our preclinical or clinical work do not support our continued investment. We returned three of the targets to Santaris during 2011, one target to Santaris during 2012 and the remaining targets to Santaris during 2013.

Nektar Agreement

In January 2002, the Company entered into a PEGylation technology licensing agreement with Nektar under which the Company granted Nektar the right to grant sub-licenses for a portion of its patents related to its PEGylation technology to third-parties. Nektar had the right to sub-license Enzon's patents that were defined in the January 2002 agreement and the Company will receive a royalty or a share of Nektar's profits for any products that utilize the Company's patented PEGylation technology. The Company's receipt of royalties related to Nektar licenses will end in 2014. After the expiration of our sublicensed patents, we may be entitled to lesser immunity fees on a country-by-country and product-by- product basis for up to twelve years from the date of first sale of these drugs. Effective in January 2007, Nektar's right to grant additional sublicenses was limited to a certain class of the Company's PEGylation technology. Existing sublicenses granted by Nektar prior to January 2007 were unaffected.

(19) Commitments and Contingent Liabilities

The Company has employment and separation agreements with certain members of its management that provide for severance payments and payments following a termination of employment occurring for various reasons, including a change in control of the Company.

The Company has been involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters will not have a material effect on the Company's consolidated financial position, results of operations, or liquidity.

(20) Leases

On November 13, 2013, the Company and Axcellerate Pharma, LLC ("Axcellerate") entered into an amendment and restatement of the previously announced Agreement of Sublease, dated as of September 26, 2013, between the Company and Axcellerate (the "Amended and Restated Sublease Agreement") to incorporate certain amendments requested by the Company's landlord, BDG Kingsbridge L.L.C., predecessor-in-interest to Kingsbridge 2005, LLC (the "Prime Landlord"), as a condition to providing its consent to the sublease contemplated by the Amended and Restated Sublease Agreement (the "Sublease"). On November 14, 2013, the Company received the Prime Landlord's consent to the Sublease. Accordingly, the term of the Sublease commenced on November 14, 2013 and will expire on July 30, 2021, which is one day prior to the expiration of the lease under which the Company currently leases its premises from the Prime Landlord. Pursuant to the Amended and Restated Sublease Agreement, the Company sublet to Axcellerate a portion of the Company's premises consisting of approximately 30,000 rentable square feet of the building located at 20 Kingsbridge Road, Piscataway, New Jersey and a share of related parking areas (the "Sublease"). The Company's premises located at 20 Kingsbridge Road, Piscataway, New Jersey are currently leased by the Company pursuant to an agreement of lease dated as of April 1, 1995, as amended by that certain First Amendment to Lease dated as of November 13, 2001 (the "Prime Lease"), with the Prime Landlord. The rights of Axcellerate under the Sublease will be subject to the terms of the Prime Lease. The monthly fixed rent payable by Axcellerate under the Sublease will be as follows on a straight-line basis: (i) in year one, $10,417, (ii) in year two, $15,625, (iii) in year three, $20,833, (iv) in year four, $26,042 and (v) in each of years five through eight, $35,000. The Sublease also provides for Axcellerate to pay additional rent to cover its applicable share of real estate taxes, operating expenses, sewer and gas usage, water usage, electricity usage and certain other charges incurred by Axcellerate.

The future minimum lease payment, for the Company's non-cancelable operating lease as of December 31, 2013 is as follows (in thousands):

Year ending December 31,	Operating Lease
2014	$ 703
2015	703
2016	703
2017	742
Thereafter	2,772
Total minimum lease payments	$ 5,623

Minimum payments indicated above have not been reduced by future minimum rentals to be received under the noncancelable sublease of approximately, as follows (in thousands):

Year ending December 31,	Operating Sublease
2014	$ 130
2015	193
2016	258
2017	356
Thereafter	1,505
Total minimum sublease payments	$ 2,442

(21) Retirement Plans

The Company's defined contribution 401(k) pension plan was terminated on June 30, 2013. The Company matched 50 percent of the employee's contribution of up to 6 percent of compensation, as defined. The total Company contributions for the years ended December 31, 2013, 2012, and 2011, were $56,000, $0.1 million, and $.4 million, respectively.

In September 2011, the Board of Directors authorized and directed the Compensation Committee to terminate the Company's Executive Deferred Compensation Plan. In accordance with Section 409A of the Internal Revenue Code, the participants in the Plan received their full account balance in October 2012 pursuant to the termination of the Plan.

(22) Quarterly Results of Operations (Unaudited)

The following tables present summarized unaudited quarterly financial data (in thousands, except per-share amounts):

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
Total revenues	$ 10,183	$ 8,056	$ 8,828	$ 7,426
Net income	$ 2,390	$ 4,719	$ 5,562	$ 5,479
Earnings per common share information:				
Net income (loss):				
Basic	$ 0.05	$ 0.11	$ 0.13	$ 0.12
Diluted	$ 0.05	$ 0.09	$ 0.13	$ 0.12

	Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
Total revenues	$ 10,601	$ 10,231	$ 11,121	$ 10,647
Net (loss) income	$ (1,071)	$ (729)	$ 4,175	$ (5,158)
(Loss) earnings per common share information:				
Net (loss) income:				
Basic	$ (0.02)	$ (0.02)	$ 0.09	$ (0.11)
Diluted	$ (0.02)	$ (0.02)	$ 0.08	$ (0.11)

Exhibit 10.4

AMENDED AND RESTATED AGREEMENT OF SUBLEASE

BETWEEN

ENZON PHARMACEUTICALS, INC., AS SUBLANDLORD,

AND

AXCELLERATE PHARMA, LLC, AS SUBTENANT

PREMISES:

PORTION OF 20 KINGSBRIDGE ROAD

PISCATAWAY, NEW JERSEY 08854

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AMENDED AND RESTATED AGREEMENT OF SUBLEASE

This **AMENDED AND RESTATED AGREEMENT OF SUBLEASE** (this "Sublease"), made as of the 13th day of November, 2013, between ENZON PHARMACEUTICALS, INC. f/k/a Enzon, Inc. ("Sublandlord"), a Delaware corporation having an office at 20 Kingsbridge Road, Piscataway, New Jersey 08854, and AXCELLERATE PHARMA, LLC (" Subtenant"), a Delaware limited liability company having an office at 20 Kingsbridge Road, Piscataway, New Jersey 08854.

W I T N E S S E T H

WHEREAS, by agreement of lease dated as of April 1, 1995, as amended by that certain First Amendment to Lease dated as of November 13, 2001 (collectively, the "Prime Lease"), between BDG Kingsbridge L.L.C., predecessor-in-interest to Kingsbridge 2005, LLC ("Prime Landlord"), and Sublandlord, as tenant, Prime Landlord leased to Sublandlord the entire premises located at 20 Kingsbridge Road, Piscataway, New Jersey (the "Property"), and the building (the "Building") located thereon (collectively, the "Original Premises"), all as more particularly described in the Prime Lease (a copy of the Prime Lease is annexed hereto as Exhibit A and made a part hereof); and

WHEREAS, the parties hereto executed that certain Agreement of Sublease dated as of September 26, 2013 (the "Old Sublease"), and subsequently agreed to make certain amendments thereto, and agree that upon the execution and delivery of this Sublease, such Old Sublease shall be of no further force and effect; and

WHEREAS, Sublandlord desires to sublease to Subtenant, and Subtenant desires to hire from Sublandlord; (i) a portion of the Premises consisting of approximately 30,000 rentable square feet of the Building (the "Sublease Premises"), as more particularly described in Exhibit B annexed hereto, all on the terms and conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, it is hereby agreed as follows:

1. **Demising of Sublease Premises**. Sublandlord hereby subleases to Subtenant and Subtenant hereby hires from Sublandlord the Sublease Premises, subject to the terms and conditions set forth herein. Sublandlord and Subtenant agree that the Old Sublease shall be of no further force and effect. (All capitalized terms not defined herein shall have the meanings ascribed thereto in the Prime Lease).

2. **Condition of Sublease Premises**. On the Sublease Commencement Date (as hereinafter defined), provided Subtenant is not in breach of the provisions hereof, Sublandlord shall deliver the Sublease Premises, and Subtenant agrees to accept the Sublease Premises, in its "as is" condition as exists as of such date. Sublandlord shall not be obligated to alter, repair or perform any work or furnish any materials on or about the Sublease Premises in order to prepare the Sublease Premises for Subtenant's use or occupancy or otherwise. Notwithstanding anything to the contrary contained herein, but subject to emergencies, force majeure, casualty or circumstances beyond Sublandlord's control, Sublandlord, at its sole cost and expense, shall use commercially reasonable efforts to substantially complete within 20 weeks after the Sublease Commencement Date the following work: (i) install a firewall to separate the Sublease Premises from the Remaining Premises (as defined herein); (ii) install handicap parking spaces (in such number and location as reasonably determined by Sublandlord's architect); provided however, that Sublandlord have unfettered access in and to the Sublease Premises without restriction in order to perform any work as may be necessary or required in Sublandlord's determination in connection with such work. All costs and expenses incurred by Sublandlord in connection with such work (other than the actual costs to install the firewall), but including but not limited to, all architect, engineering, contractors and other professionals' fees and expenses, and any permits, licenses or approval fees and charges, other professional shall be included in Operating Expenses (as such term is defined herein).

3. **Term of Sublease**. The term ("Term") of this Sublease shall commence on the later of (a) September 1, 2013, or (b) the date upon which the consent of the Prime Landlord to this Sublease has been received, including Sublandlord's receipt by electronic means of a consent as executed by Prime Landlord (the "Sublease Commencement Date"), and shall expire on July 30, 2021 (the "Expiration Date"), unless this Sublease is sooner terminated by law or pursuant to any of the terms, covenants or conditions of this Sublease. Subtenant shall have no right to renew the term of this Sublease. Notwithstanding anything to the contrary herein, possession of the Sublease Premises shall not be delivered to Subtenant until the later of: (i) the Sublease Commencement Date; or (ii) the date Sublandlord receives full payment of the purchase price for various equipment in accordance with that certain Equipment Sale Agreement of same date hereof between the parties.

4. **Consent**. This Sublease is subject to and conditioned upon Sublandlord obtaining the written consent of Prime Landlord to this Sublease, to the extent required under the Prime Lease. Sublandlord and Subtenant each agree to promptly execute and deliver a consent agreement in a form reasonably requested by Prime Landlord, provided that the consent does not contain any provisions that would materially increase the obligations of either party under this Sublease, and further provided that, Sublandlord shall in no event be required to (a) incur any cost or expense in connection with such consent, (b) alter any of the terms of the Prime Lease which would materially increase any of Sublandlord's, or materially reduce any of Prime Landlord's, obligations under the Prime Lease, or (c) commence any action or proceedings against Prime Landlord. Subtenant shall (i) cooperate with Sublandlord and use commercially reasonable efforts to assist Sublandlord in obtaining Prime Landlord's consent to this Sublease as soon as practicable, and (ii) provide all information concerning Subtenant that Prime Landlord shall reasonably require. If such consent is refused or unacceptably conditioned or if Prime Landlord shall otherwise fail to grant such consent within sixty (60) days after a copy of this Sublease is provided to Sublandlord with Sublandlord's written request for Prime Landlord's covenant thereto, then either party may, by written notice to the other, given at any time prior to the granting of such consent, terminate and cancel this Sublease. Upon the timely delivery of such written notice of any such termination in accordance with the terms hereof, neither party shall have any further rights or obligations hereunder, except for those rights and obligations expressly set forth herein to survive the termination of this Sublease.

5. **Rent**.

A. Subtenant covenants and agrees to pay to Sublandlord, in lawful money of the United States, fixed rent ("Fixed Rent") as follows:

LEASE YEAR	ANNUAL RENT P.S.F.		LEASE YEAR RENT	MONTHLY RENT
1	$ 12.50	(based on 10,000 s.f.)	$ 125,000.00	$ 10,416.67
2	$ 12.50	(based on 15,000 s.f.)	$ 187,500.00	$ 15,625.00
3	$ 12.50	(based on 20,000 s.f.)	$ 250,000.00	$ 20,833.00
4	$ 12.50	(based on 25,000 s.f.)	$ 312,500.00	$ 26,041.67
5	$ 14.00	(based on 30,000 s.f.)	$ 420,000.00	$ 35,000.00
6	$ 14.00	(based on 30,000 s.f.)	$ 420,000.00	$ 35,000.00
7	$ 14.00	(based on 30,000 s.f.)	$ 420,000.00	$ 35,000.00
8**	$ 14.00	(based on 30,000 s.f.)	$ 420,000.00	$ 35,000.00

** (Lease Year 8 shall be for a period that ends on the Expiration Date.)

Upon execution of this Sublease, Subtenant shall pay or deliver to Sublandlord the first monthly installment of Fixed Rent payable under this Sublease and the Security (as defined herein). (The term "Lease Year" is defined as the twelve (12) month period beginning with the Sublease Commencement Date and succeeding anniversaries thereof, except that if the Sublease Commencement Date occurs on a date other than the first day of a calendar month, then Lease Year 1 shall be extended to the last day of the calendar month in which the first anniversary of the Sublease Commencement Date occurs, so that Lease Year 2 and all subsequent Lease Years shall commence on the first day of a calendar month and end on the last day of a calendar month.)

B. In addition to the payment of Fixed Rent and any other sums that Subtenant may be obligated to pay under the provisions of this Sublease, Subtenant covenants and agrees to pay Additional Rent (as hereinafter defined) to Sublandlord from and after the Sublease Commencement Date, within the shorter of (i) the time period specifically set forth in this Sublease for the payment of such amounts, or (ii) twenty (20) days after demand. The term "Additional Rent" shall include (but is not limited to):

i. (relating to Real Estate Taxes (as defined in the Prime Lease)): fifty three and eleven one hundredths percent (53.11%) ("Subtenant's Total Share") of all amounts due and payable by Sublandlord to Prime Landlord pursuant to Article 7 of the Prime Lease (as incorporated and modified herein) with respect to Real Estate Taxes regarding the Original Premises, including, without limitation, estimated as well as actual amounts;

ii. (relating to Operating Expenses (as defined herein)): Subtenant's Total Share of all amounts due and payable with respect to the Operating Expenses, including, without limitation, estimated as well as actual amounts payable by Subtenant on a monthly basis;

iii. (relating to sewer and gas usage): for sewer and gas usage at the Sublease Premises: (a) Subtenant's Total Share of (i) the gas usage at the Original Premises for up to 8,500 therms per month (the "Base Gas Usage", which 8,500 therms monthly usage plus delivery costs is currently charged to Sublandlord at $6,000 per month); and (ii) the sewer usage at the Original Premises, paid on a quarterly basis, but based upon the monthly water usage of 400,000 gallons per month (the "Base Sewer Usage", which usage is currently charged to Sublandlord at $10,000 per quarter), together with all charges and amounts billed by the applicable utility (and delivery) company in connection with such utility usage, including without limitation all fees, taxes, service charges, repairs, surcharges and any other expense billed by the applicable utility (or delivery) company in connection therewith (such charges, amounts, fees, taxes, service charges, repairs, surcharges and other expenses, hereinafter referred to as "Added Charges"), plus (b) one hundred (100%) percent of all charges and amounts billed against the Original Premises by the applicable utility (and delivery) company for (i) any gas usage at the Original Premises which exceeds the Base Gas Usage; and (ii) any sewer usage at the Original Premises which exceeds the Base Sewer Usage;

iv. (relating to water usage): for water usage at the Sublease Premises: (a) one hundred percent (100%) of all charges and amounts billed by the applicable utility company relating to the existing water meter no. 70176303, including without limitation, all Added Charges; plus (b) forty-three percent (43%) (the "Subtenant Water/Electricity Share") of all charges and amounts billed by the applicable utility company relating to the water usage at the Original Premises, plus all Added Charges, for up to 400,000 gallons per month (the "Base Water Usage", which 400,000 gallon monthly usage is currently charged to Sublandlord at $3,000 per month); plus (c) one hundred percent (100%) of all charges and amounts, plus all Added Charges, billed by the applicable utility for any monthly water usage at the Original Premises which exceeds the Base Water Usage;

v. (relating to electricity usage): for electricity usage at the Sublease Premises for any and all purposes, including without limitation for heating, ventilation and air conditioning: (a) one hundred percent (100%) of all charges and amounts billed by the applicable utility company relating to the existing electricity meter no. 778017595, including without limitation, all Added Charges; plus (b) the Subtenant Water/Electricity Share of all charges and amounts billed by the applicable utility company relating to the electrical usage at the Original Premises, plus all Added Charges, for up to 238,700 kilowatt hours per month (the "Base Electricity Usage", which 238,700 kilowatt hours monthly usage is currently charged to Sublandlord at $38,850 per month); plus (c) one hundred percent (100%) of all charges and amounts, plus all Added Charges, billed by the applicable utility for any monthly electricity usage at the Original Premises which exceeds the Base Electricity Usage;

vi. (charges incurred by Subtenant): one hundred percent (100%) of any amounts payable under the Prime Lease which are attributable to Subtenant's use or manner of use of the Sublease Premises or the common areas for which additional charges are incurred;

provided however, in the event that the Remaining Premises is leased to one or more tenants, then for the period of such tenant's(s') occupancy, in the place of Subtenant paying the amounts set forth above in clauses (iii)(a) and (b), (iv) (b) and (c), and (v)(b) and (c), Subtenant shall pay Subtenant's Total Share of all bills, including all Added Charges, relating to the provision of water, sewer, gas and electricity to the Original Premises. In the event Sublandlord wishes to install additional meters or submeters to measure consumption of utilities in the Sublease Premises, the Subtenant shall promptly pay within twenty (20) days of demand therefor the Subtenant's Total Share of all charges and expenses related to such work, including without limitation any special conduits, feeders, risers, wiring and panels needed in connection therewith, and after such meter or sub-meters are installed and are operational, Subtenant shall pay for all utilities consumed as shown on said meters or submeters and all Added Charges related thereto, all as and when billed. Sublandlord shall repair, and perform maintenance to the meters or submeters so as to keep same in good order and condition during the Term and Subtenant shall pay Subtenant's Total Share of all expenses therefor; provided however, for damage, if any, caused by Subtenant, Subtenant shall be responsible for all costs incurred in connection with the repair and, if necessary, the replacement thereof, at Subtenant's sole cost and expense.

C. Subtenant shall pay promptly or cause to be paid all charges for gas, water, sewer, electricity, light, heat, power, telephone and other utilities and services used, rendered or supplied to the Sublease Premises, including without limitation, any sewer rents, hookup, connection, availability, stand by and any other charges in connection with the use, consumption or supply of water, sewage system or other utility. During the Term, Sublandlord shall have the right (to access the Sublease Premises as reasonably necessary) to measure Subtenant's consumption of utilities (including, without limitation, water and gas) in the Sublease Premises.

D. Subtenant shall pay each item of Additional Rent as determined pursuant to the terms hereof, within the time periods set forth herein. Sublandlord's delay or failure during the term of this Sublease to prepare and deliver any statements or bills required to be delivered to Subtenant under this Sublease shall not in any way be deemed to be a waiver of, or cause Sublandlord to forfeit or surrender its rights to collect any Rental (as hereinafter defined) which may have become due pursuant hereto. Subtenant's liability for Rental due under this Sublease shall continue unabated during the Term and shall survive the expiration or sooner termination of this Sublease.

E. Fixed Rent and monthly installments, if any, of Additional Rent shall be due and payable in equal monthly installments in advance, on the first (1st) day of each month during the Term. If the Sublease Commencement Date shall be other than the first day of a month or the expiration or sooner termination of the Term is other than the last day of a month, the monthly installments of Fixed Rent and Additional Rent payable hereunder for any such month shall be prorated on a per diem basis based on the actual number of days in such month. Any Additional Rent hereunder that is not payable in monthly installments shall be due and payable by Subtenant within five (5) Business Days (the term "Business Days" used herein to mean all days except Saturdays, Sundays, and the days observed by the Federal or the New Jersey State governments as legal holidays) after Subtenant shall be billed therefor. Notwithstanding the foregoing nor the provisions of Section 7(D) hereof, (i) if the Prime Lease provides that an amount payable as Additional Rent hereunder is payable by Sublandlord to Prime Landlord within a shorter period of time, Subtenant shall pay such Additional Rent no later than one (1) day prior to the date that Sublandlord shall be required to pay same, and (ii) if the Prime Lease provides that an amount payable as Additional Rent hereunder is payable to Prime Landlord on demand, then Subtenant shall pay such Additional Rent to Sublandlord immediately upon the demand of Sublandlord.

F. All of the amounts payable by Subtenant pursuant to this Sublease, including, without limitation, Fixed Rent, Additional Rent and all other fees, costs, expenses, charges, sums and deposits payable by Subtenant to Sublandlord hereunder shall constitute rent under this Sublease (collectively, "Rental"), and such Rental shall be payable to Sublandlord or its designee at such address as Sublandlord shall from time to time direct in writing.

G. Subtenant shall promptly pay the Rental as and when the same shall become due and payable without notice and without setoff, offset or deduction of any kind whatsoever and, in the event Subtenant shall fail to pay same when due, Sublandlord shall, in addition to all of the rights and remedies provided for in this Sublease and/or at law or in equity, have all of the rights and remedies provided for in the Prime Lease in the case of non-payment of any rent due thereunder. Subtenant's obligation to pay Rental shall survive the expiration or sooner termination of this Sublease.

H. In the event that any Rental payment to be made by Subtenant hereunder is not paid by Subtenant to Sublandlord within five (5) Business Days after the date upon which such sum is due, a service charge ("Late Charge") equal to the lesser of (i) eight percent (8%) of such sum and (ii) the maximum amount allowable by law shall be immediately due and payable in addition to the underlying sum. The foregoing service charge is for the purpose of reimbursing Sublandlord for the extra costs and expenses incurred in connection with the handling and processing of such late payments. Further, in the event that any Rental payment due hereunder shall not be paid within five (5) Business Days after the same is due, such unpaid Rental shall bear interest from such fifth (5th) Business Day until the date when paid at a rate equal to the lesser of (i) four (4%) per cent in excess of the Base Rate (as defined herein) and (ii) the maximum amount allowable by law. It is expressly acknowledged and agreed that nothing herein contained shall be deemed or construed as permitting or allowing Subtenant to make any payment of Rental at a time other than when same shall be required to be paid pursuant to the provisions of this Sublease. The acceptance of the late charge and/or interest referred to in this Section 5(H) shall not in any manner preclude Sublandlord from enforcing any of its rights or remedies contained elsewhere in this Sublease.

I. If Sublandlord shall be charged with respect to the Sublease Premises for any other sums or charges pursuant to the provisions of the Prime Lease, including, without limitation, for charges, overtime or other extra services requested by Subtenant, then Subtenant shall be liable for such costs, sums or charges. Additionally, Subtenant shall also pay to Sublandlord all other costs or charges incurred by Sublandlord as a result of the occupancy, actions or omissions of Subtenant. All amounts due to Sublandlord under this Section 5(I) shall be due and payable by Subtenant to Sublandlord within five (5) Business Days after written demand therefor. As used in this Sublease, the term "Additional Rent" shall mean all sums payable by Subtenant to Sublandlord pursuant to this Sublease, including payments due to Sublandlord pursuant to the terms of the provisions of the Prime Lease as incorporated herein by reference (other than Fixed Rent) and, in the event of any non-payment of any Additional Rent, Sublandlord shall have all rights and remedies provided for herein or by law for non-payment of rent.

J. If Sublandlord shall receive a refund of any amounts from Prime Landlord with respect to the Sublease Premises pursuant to the terms of the Prime Lease, and provided Subtenant shall not then be in default of this Sublease, Sublandlord shall promptly notify Subtenant and refund to Subtenant the portion thereof (after deducting from the amount of any such refund an equitable portion of all reasonable expenses, including court costs and reasonable attorneys' fees, incurred by Sublandlord with respect to such refund), if any, which shall have actually been paid by Subtenant hereunder in respect of Fixed Rent or Additional Rent applicable to such refund, less any amounts theretofore received by Subtenant directly from Prime Landlord.

K. Subtenant shall be responsible for any applicable occupancy or rent tax now in effect or hereafter enacted and, if such tax is payable by Sublandlord, Subtenant shall promptly pay such amounts to Sublandlord, within ten (10) days after receipt of Sublandlord's written demand.

6. **Use**. Provided Subtenant's use is lawful and in compliance with all environmental laws and requirements and all provisions of this Sublease and the Prime Lease (including without limitation, Article 13 thereof), Subtenant shall use and occupy the Premises for research and development, manufacturing and warehousing of chemical, biochemical and pharmaceutical products and office use incidental thereto and for no other purpose.

7. **Subordination to and Incorporation of the Prime Lease**.

A. This Sublease and all of Subtenant's rights hereunder are and shall remain in all respects subject and subordinate to (i) all of the terms, conditions and provisions of the Prime Lease, (ii) any and all amendments, supplements or modifications to the Prime Lease, and (iii) any and all matters to which the tenancy of Sublandlord, as tenant under the Prime Lease, is or may be subordinate. The foregoing provisions shall be self-operative and no further instrument of subordination shall be necessary to effectuate such provisions. Subtenant hereby acknowledges and agrees that it has been furnished with a true, correct and complete copy of the Prime Lease and is familiar with the terms and conditions set forth therein.

B. Except as otherwise expressly provided in this Sublease, Subtenant assumes and shall keep, observe and perform every term, provision, covenant and condition on Sublandlord's part pertaining to the Sublease Premises that is required to be kept, observed and performed pursuant to the Prime Lease and which arises or accrues during the term of this Sublease. For the avoidance of doubt, the words "pursuant to this Sublease" or similar language shall mean "pursuant to this Sublease, including the terms, conditions and provisions of the Prime Lease as incorporated herein."

C. Except as otherwise expressly provided in this Sublease, the terms, provisions and conditions contained in the Prime Lease are incorporated in this Sublease by reference and are made a part hereof as if herein set forth at length, the term "Sublandlord" being substituted for the term "Landlord" under the Prime Lease, the term "Subtenant" being substituted for the term "Tenant" under the Prime Lease, the term "Sublease" being substituted for the term "Lease" under the Prime Lease, the term "Sublease Premises" being substituted for the term "Demised Premises" under the Prime Lease, the term "Prime Landlord's mortgagee" being substituted for the term "Landlord's mortgagee" under the Prime Lease, the term "Prime Landlord and Sublandlord" being substituted for the term "Landlord" in Sections 8.01(A)(2) and (4), and 8.01(B), in Section 8.01(C), Sections 13.03(B) and (E) and Section 22.01 of the Prime Lease, and the term "Prime Landlord or Sublandlord" being substituted for the term "Landlord" in line one (1) of Section 8.01(E). In all instances where consent or approval of the Prime Landlord is required under the Prime Lease, the consent or approval of each of the Prime Landlord and Sublandlord shall be required. The parties agree that the following provisions of the Prime Lease are not so incorporated herein by reference (although any terms used in the Prime Lease which are defined in such provisions are incorporated in this Sublease by reference to the extent such terms are used in the provisions of the Prime Lease which are incorporated herein by reference): Article 1; Article 2; Sections 3.01 and 3.02; Article 4; the 1st sentence of Section 5.01; the last sentence of the 1st paragraph (as set forth in Section 5 of the First Amendment) and the 4th, 5th and 10th sentences of the 2nd paragraph of Section 7.01; the last (hand-written) sentence of Section 10.01; Section 11.05; the last 3 sentences of Section 14.01; the last sentence of Section 22.01; Article 23; Section 25.01; Section 26.01; Article 35; Article 36; and Sections 17, 18, 19, 25, 26 and 27 of the First Amendment to Lease.

The parties agree that: (i) except as limited above, Section 7.01 of the Prime Lease is incorporated by reference, except the words "to Landlord" shall be added into the first (1st) line immediately following the word "pay," the words "all Real Estate Taxes" as set forth in the first (1st) paragraph thereof shall be deemed to mean "Subtenant's Total Share of the Real Estate Taxes," the words "all of the Real Estate Taxes" as set forth in the first (1st) sentence of the second paragraph thereof shall be deemed to mean "all of the Subtenant's Total Share of the Real Estate Taxes," and the words "such obligation" in the sixth (6th) sentence of the second paragraph thereof shall be deemed to mean "Subtenant's Total Share of the Real Estate Taxes,"; (ii) Section 7.03 of the Prime Lease is incorporated by reference, except the words "all assessments" as set forth in the first (1st) line thereof shall be deemed to mean "all of Subtenant's Total Share of assessments"; (iii) Section 7.05 of the Prime Lease is incorporated by reference, except the words "said escrowee" in the fifth (5th) line thereof shall be deemed to mean "Sublandlord"; (iv) Section 7.06 of the Prime Lease is incorporated by reference, except the words "Demised Premises" in the third (3rd) line thereof shall be deemed to mean "Original Premises"; (v) Section 8.02 of the Prime Lease is incorporated by reference, except the word "Landlord" as used throughout such Section shall be deemed to mean "Prime Landlord" and as used in sentences six (6) and seven (7) thereof shall be deemed to mean "Sublandlord"; (vi) Sections 11.01 and 11.02 of the Prime Lease are incorporated by reference, except the words "Landlord's architect or engineer" shall mean "Prime Landlord's or Sublandlord's architect or engineer"; and (vii) upon the occurrence of any casualty event or any condemnation proceeding, Sublandlord shall be under no obligation to repair, alter or restore the Property, the Sublease Premises, the Building or the Land.

D. The time limits set forth in the Prime Lease for the giving of notices, making demands, performance of any act, condition or covenant, or the exercise of any right, remedy or option, are changed for the purposes of incorporation into this Sublease, by lengthening or shortening the same in each instance, as appropriate, so that notices may be given, demands made, or any act, condition or covenant performed, or any right, remedy or option hereunder exercised, by Sublandlord or Subtenant, as the case may be (and each party covenants that it will do so), within three (3) Business Days prior to the expiration of the time limit, taking into account the maximum grace period, if any, relating thereto contained in the Prime Lease. Each party shall promptly deliver to the other party copies of all notices, requests or demands which relate to the Sublease Premises or the use or occupancy thereof after receipt of same from Prime Landlord.

E. Sublandlord shall have the same rights and remedies with respect to a breach of this Sublease by Subtenant as Prime Landlord has with respect to a breach of the Prime Lease as if the same were more fully set forth at length herein, and Sublandlord shall have, with respect to Subtenant, this Sublease and the Sublease Premises, all of the rights, powers, privileges and immunities as are possessed by Prime Landlord under the Prime Lease. Sublandlord herein shall not be responsible for any breach of the Prime Lease by Prime Landlord or any non-performance or non-compliance with any provisions thereof by Prime Landlord, but Sublandlord shall comply with the provisions of Article 13 hereof.

F. Subtenant shall not be liable for any charges, interest or penalties as a result of a default of Sublandlord in paying the rent due under the Prime Lease so long as and to the extent that any such default by Sublandlord does not arise out of Subtenant's default in paying any installments or other payments of the Rental due under this Sublease.

G. Provided Subtenant is not in default under this Sublease beyond any applicable periods of notice and grace, Sublandlord covenants and agrees not to voluntarily terminate, cancel or surrender the Prime Lease, except with respect to a termination permitted under Article 11 or Article 12 of the Prime Lease, or consent to any modification, amendment or supplement to the Prime Lease which would materially deprive Subtenant of its rights under this Sublease, without the prior written consent of Subtenant, which consent by Subtenant shall not be unreasonably withheld, conditioned or delayed. Notwithstanding the foregoing, if the Prime Lease is terminated for any reason whatsoever, whether by operation of law or otherwise, except through a default of Sublandlord under the Prime Lease which was not otherwise caused by Subtenant's default hereunder, Sublandlord shall not be liable in any manner whatsoever for such termination. Sublandlord shall promptly forward to Subtenant any default or termination notice with respect to the Prime Lease received by Sublandlord and this Sublease shall terminate in the event of any such termination of the Prime Lease.

H. In the event of any conflict between the terms of the Prime Lease and this Sublease, this Sublease shall govern and control in each instance with respect to Sublandlord's and Subtenant's respective obligations hereunder.

8. **Operating Expenses**.

A. Definitions.

i. The term "Sublandlord's Statement" shall mean an instrument containing a computation of any Additional Rent due pursuant to the provisions of this Article.

ii. "Operating Expenses" shall mean the aggregate of all costs and expenses paid or incurred by or on behalf of Sublandlord in connection with the operation, repair and maintenance of the Original Premises, including, but not limited to, the following:

(a) costs and expenses of operating, maintaining and repairing the Building and/or the Property and the sidewalks, curbs and parking areas adjacent thereto and/or a part thereof;

(b) costs and expenses of performing repairs to all structural walls, roofs, plate glass, doors and windows;

(c) costs and expenses of maintenance and repairs of the structural elements of the Building and the Property;

(d) costs and expenses of performing repairs and maintenance of (i) utility lines, sanitary or storm sewer lines and culverts and drainage facilities; (ii) lighting and lighting fixtures; and (iii) any sprinkler system installed in any part of the Building and/or Property;

(e) costs and expenses of maintaining and operating the management and engineering offices, if any, for the Building but only to the extent that the management and engineering work performed therein relates solely to the Building and/or the Property;

(f) costs and expenses incurred by Sublandlord in establishing, equipping, maintaining, repairing and operating (including the reasonable rental value thereof) any Building amenities or services intended by Sublandlord for the general benefit of tenants of the Building;

(g) costs and expenses of maintaining and performing repairs of the sidewalks, curbs, landscaping and other improvements adjacent to and those located on the Property, including, without limitation, costs of cleaning and removing snow and ice;

(h) costs and expenses incurred for the operation, repair and maintenance of the parking facility(ies), including, but not limited to, insurance, cleaning, repaving, repairing and restriping;

(i) costs and expenses for electricity, water and all other utilities (to the extent same are not separately submetered and not separately billed to Subtenant);

(j) costs and expenses of all insurance (including any terrorism insurance) maintained by Sublandlord in connection with the Original Premises and/or sublandlord's equipment, fixtures and personal property used in connection therewith, and including insurance maintained by Sublandlord pursuant to the Prime Lease, including the insurance maintained by or on behalf of Prime Landlord pursuant to the Prime Lease;

(k) service contracts and repair, replacement and maintenance charges, including without limitation, relating to the air conditioning, heating and ventilation systems and equipment, window washing, rubbish removal and cleaning costs (to the extent same is provided) and the roof (and any other service contract, as may be entered into in the future); protection and security services, if any is provided; sales, use and other similar taxes;

(l) supplies, wages, salaries, disability benefits, pensions, hospitalization, retirement plans and group insurance and payroll, social security, unemployment and other similar taxes respecting service and maintenance employees (including the property manager for the Building and the Property);

(m) all professional fees, including without limitation, legal and accounting fees; all permits, authorizations and license fees; other consultants' and professionals' fees; all costs and disbursements incurred in connection with any of the foregoing;

(n) any capital improvement made after the Sublease Commencement Date; provided, such capital improvements shall be amortized (with interest at the Base Rate (as defined below)) on a straight-line basis over such period as Sublandlord shall reasonably determine in accordance with generally accepted accounting principles ("GAAP"), and the amount included in Operating Expenses in any Operational Year shall be equal to the annual amortized amount; and

(o) any installation, maintenance, upgrades, modifications, repairs and replacements to, and service contracts relating to, any security systems and equipment for the Original Premises.

iii. "Subtenant's Estimated Share" shall mean Subtenant's Total Share multiplied by Sublandlord's written estimate of the Operating Expenses for the ensuing Operational Year (as defined below), said written estimate to be delivered by Sublandlord to Subtenant during December of each calendar year. Subtenant's Estimated Share shall be divided by 12 and such one-twelfth amount shall be payable on the first of each month, starting January 1 of the ensuing year, by Subtenant to Sublandlord as Additional Rent. The Subtenant's Estimated Share for calendar year 2013 is $10,268.00 per month.

iv. "Operational Year" shall mean each calendar year after calendar 2013.

v. "Base Rate" shall mean annual rate of interest publicly announced from time to time by JPMorgan Chase Bank, N.A., or its successor, in New York, New York as its "base rate" or "prime rate" (or such other term as may be used by JPMorgan Chase Bank, N.A., from time to time, for the rate presently referred to as its "base rate").

B. Sublandlord's Statement.

i. After the expiration of each calendar year during the Term, Sublandlord shall furnish Subtenant a written detailed statement or statements prepared by Sublandlord (the "Sublandlord's Statement") setting forth the actual Operating Expenses incurred for such expired year, the amount of Subtenant's Total Share thereof, the payments received from Subtenant for Operating Expenses for such expired year and the amount of the Subtenant's Estimated Share for the ensuing Operational Year. For thirty (30) days following the date of Sublandlord's Statement, Subtenant shall have the right, at Subtenant's sole cost and expense, to inspect the records maintained by the Sublandlord of the material reflected in said Sublandlord's Statement at a reasonable time mutually agreeable to Sublandlord and Subtenant. If the Sublandlord's Statement reflects that the actual Operating Expenses incurred for such expired year exceeded the payments of Operating Expenses received from Subtenant for such expired year, Subtenant shall pay the amount of such shortfall to Sublandlord within thirty (30) days after receipt of such Sublandlord Statement. If the Sublandlord Statement reflects that the Subtenant has overpaid the Operating Expenses for such expired year, such overpayment shall be credited against the next ensuing payment of Additional Rent (or, if the Term of the Sublease shall have ended, Sublandlord shall reimburse such amount to Subtenant within thirty (30) days thereafter).

ii. Sublandlord's failure to render Sublandlord's Statements with respect to any year, or Sublandlord's delay in rendering said Statements beyond a date specified herein, shall not prejudice Sublandlord's right to render a Sublandlord's Statement (or any corrected Sublandlord Statement) with respect to that year or any subsequent year; nor shall the rendering of a Sublandlord Statement prejudice Sublandlord's right to thereafter render a corrected Statement for that Operational Year.

iii. If Sublandlord furnishes a Sublandlord Statement containing the estimate for an ensuing Operational Year subsequent to the commencement thereof, then (i) until the first (1st) day of the month following the month in which the Sublandlord Statement Estimate is furnished to Subtenant, Subtenant shall pay to Sublandlord on the first (1st) day of each month an amount equal to the monthly sum payable by Subtenant to Sublandlord under this Article during the last month of the calendar year preceding such Operational Year, (ii) promptly after the Sublandlord Statement is furnished to Subtenant or together therewith, Sublandlord shall give notice to Subtenant stating whether the installments of Subtenant's Operating Payment previously made for such Operational Year were greater or less than the installments of Subtenant's Estimated Share to be made for such Operational Year, and (x) if there shall be a deficiency, Subtenant shall pay the amount thereof within ten (10) days after demand therefor, or (y) if there shall have been an overpayment, Sublandlord shall credit the amount thereof against subsequent payments of Rental due hereunder, and (iii) on the first (1st) day of the month following the month in which the Sublandlord Statement is furnished to Subtenant, and on the first (1st) day of each month thereafter throughout the remainder of such Operational Year, Subtenant shall pay to Sublandlord an amount equal to 1/12 of Subtenant's Estimated Share shown on the Sublandlord Statement.

iv. Each Sublandlord's Statement shall be conclusive and binding upon Subtenant unless, within thirty (30) days after delivery of such Sublandlord's Statement to Subtenant, Subtenant shall notify Sublandlord that it disputes the correctness of Sublandlord's Statement, specifying the respects in which Sublandlord's Statement is claimed to be incorrect. Pending the determination of such dispute, Subtenant shall pay Additional Rent in accordance with the applicable Sublandlord's Statement, and such payment shall be without prejudice to Subtenant's position in any legal proceeding commenced by Subtenant.

v. With respect to each Sublandlord Statement, Sublandlord will maintain its applicable books and records for a period of at least three (3) years after such Sublandlord Statement is delivered to Subtenant and thereafter during the pendency of any review thereof by Subtenant pursuant to the terms of this Sublease. Subtenant agrees that Subtenant will not employ, in connection with any dispute under this Sublease with respect to a Sublandlord Statement, any audit or accounting person or entity who is to be compensated in whole or in part, on a contingency fee basis. If Subtenant timely notifies Sublandlord of Subtenant's desire to review a Sublandlord Statement and the parties do not resolve any dispute as to the correctness of such Sublandlord Statement within sixty (60) days following such notice, either party may refer the issues raised to a nationally recognized public accounting firm mutually acceptable to Sublandlord and Subtenant, and the decision of such accountants shall be conclusively binding upon Sublandlord and Subtenant. In connection therewith, Subtenant, such accountants and all other persons to whom Subtenant gives any of the information obtained in connection with such review shall execute and deliver to Sublandlord a confidentiality agreement, in form and substance reasonably satisfactory to Sublandlord and Subtenant, whereby such parties agree not to disclose to any third party any of the information obtained in connection with such review. Within ten (10) Business Days after issuance of the accounting firm's decision, Sublandlord shall reimburse to Subtenant the amount overstated by Sublandlord as determined by the accountant. Subtenant shall pay the fees and expenses of the accounting firm relating to such procedure, unless such accountants determine that Sublandlord overstated Operating Expenses by more than five percent (5%) for such Operational Year, in which case Sublandlord shall pay all reasonable fees and expenses of the accounting firm selected by Sublandlord and Subtenant as set forth above within thirty (30) days after receipt of written request; provided however, in the event that Subtenant retains an accountant or audit company, Sublandlord shall not be obligated to reimburse Subtenant for the costs of such accountant or audit company.

vi. The obligations of Sublandlord and Subtenant under the provisions of this Article with respect to any Additional Rent shall survive the expiration or any sooner termination of the Term.

9. **Electricity**.

A. A portion of the electricity consumed within the Sublease Premises is measured by an existing submeter (the "Submeter"). Sublandlord shall install and repair, and perform maintenance to the Submeter so as to keep same in good order and condition during the Term and Subtenant shall pay Subtenant's Total Share of all expenses therefor; provided however, for damage, if any, caused by Subtenant, Subtenant shall be responsible for all costs incurred in connection with the repair and, if necessary, the replacement thereof, at Subtenant's sole cost and expense. Where more than one meter measures the electricity supplied to Subtenant, the electricity rendered through each meter may be computed and billed separately in accordance with the provisions herein set forth.

B. If the Submeter should fail to properly register or operate at any time for any reason whatsoever, Sublandlord may estimate the cost (or, at Sublandlord's option, the average cost) per kilowatt hour and the cost (or, at Sublandlord's option, the average cost) per kilowatt demand, by time of day, if applicable, to Sublandlord of purchasing electricity for the Sublease Premises, including fuel adjustment charges (as determined for each month of the relevant period and not averaged), rate adjustment charges, sales tax, and any other factors or charges, used by the utility company in computing the charges to Sublandlord for electric usage (the "Electricity Additional Rent"), and, when the Submeter is again properly operative, an appropriate reconciliation shall be made, by Subtenant paying any deficiency to Sublandlord within ten (10) days after demand, or by Sublandlord crediting Subtenant with the amount of any overpayment, as the case may be. Sublandlord, at its option, may from time to time increase the Electricity Additional Rent based upon any increase in electricity cost. Subtenant acknowledges that in connection with the installation or retrofit of meter(s), the electricity being supplied to serve the Sublease Premises may be temporarily interrupted.

C. If either the quantity or character of electrical service is changed by the public utility corporation supplying electrical service to the Building or is no longer available or suitable for Subtenant's requirements, no such change, unavailability or unsuitability shall constitute an actual or constructive eviction, in whole or in part, or entitle Subtenant to any abatement or diminution of rent, or relieve Subtenant from any of its obligations under this Sublease, or impose any liability upon Sublandlord or Sublandlord's agents. Subtenant covenants that at no time shall Subtenant use electrical energy in the Sublease Premises which exceeds the capacity of the existing feeders or wiring installations then serving the Sublease Premises or which interferes with the electrical service to other tenants of the Building. Subtenant shall not, without prior consent of Sublandlord in each instance (such consent shall not be unreasonably withheld, provided that the consent of the Prime Landlord shall have first been obtained), make or perform, or permit the making or performing of, any alteration to wiring installations or other electrical facilities in or serving the Sublease Premises or any additions to the electrical fixtures, business machines, office equipment, or other appliances in the Sublease Premises which utilize electrical energy.

10. **Quiet Enjoyment**. Sublandlord covenants that as long as Subtenant shall timely pay the Rental due hereunder and shall duly perform all of the terms, covenants and conditions of this Sublease on Subtenant's part to be performed and observed, Subtenant shall peaceably and quietly have, hold and enjoy the Sublease Premises during the Term without molestation or hindrance by Sublandlord, subject to the terms, provisions and conditions of the Prime Lease and this Sublease.

11. **Representations and Warranties; Covenants**.

A. Sublandlord represents and warrants to Subtenant as of the date hereof that (i) the Prime Lease is in full force and effect in accordance with, and subject to, all of the terms, covenants, conditions and agreements contained therein, (ii) the Prime Lease has not been materially modified, amended or supplemented, except as set forth in Exhibit A annexed hereto, (iii) Sublandlord has not received any notice of any default from the Prime Landlord under the Prime Lease which default remains uncured nor, to Sublandlord's knowledge, (other than Prime Landlord's failure to deliver a subordination non-disturbance and attornment agreement relating to the current fee mortgagee), has any action or omission by any person that would constitute a material breach or default under the Prime Lease for which a notice of default has not been received, including but not limited to any violations of environmental laws and rules and regulations summarized in Section 13.03(C) of the Prime Lease, and (iv) that, to Sublandlord's knowledge, except as set forth in Exhibit C annexed hereto, and subject to emergencies, changes of law, force majeure, casualty or circumstances beyond Sublandlord's control and subject to any additional expense in connection with the work as described in Section 2 hereof, there are no significant extraordinary expenses which are anticipated to be incurred in connection with the operation of the Building which would reasonably be anticipated to cause the Operating Expenses for the first twelve (12) months of the term of this Sublease to materially exceed the annual average sum of Operating Expenses for the Building over the past five (5) years.

B. Subtenant represents and warrants to Sublandlord as of the date hereof that (i) Subtenant has full right, power and authority to enter into this Sublease and perform its obligations and consummate the transactions contemplated hereunder and (ii) this Sublease has been duly executed and delivered by Subtenant and constitutes a valid and binding agreement of Subtenant, enforceable against Subtenant in accordance with the terms hereof.

C. Subtenant hereby covenants and agrees that Subtenant will not do anything in, about or with respect to the Sublease Premises or the Building which would constitute a breach or default under the Prime Lease or this Sublease, or fail to do anything which Subtenant is obligated to do under the terms of this Sublease which would constitute a breach or default under the Prime Lease or this Sublease. Subtenant shall not (i) do or fail to do anything in or about the Sublease Premises which would interfere with the use and occupancy, or any business operations of Sublandlord or any other third party in those portions of the Original Premises or Building excluding the Sublease Premises (the "Remaining Premises"); and (ii) permit, cause or suffer to occur any trespass by Subtenant or any of its Agents in, on or upon such Remaining Premises. Subtenant agrees to be bound by and agrees that Subtenant's business and operations and, more specifically, its handling, storage, use and disposal of Hazardous Substances shall at all times comply with, all applicable laws pertaining to Hazardous Substances and with the terms and provisions of the Prime Lease, including without limitation Sections 13.03(G)(ii), (iii) and (iv).

12. **Services and Repairs**.

A. Notwithstanding anything to the contrary set forth in the Prime Lease, Subtenant agrees that except as expressly set forth in subparagraph (C) below, Sublandlord shall have no obligation to render or supply any services to Subtenant, including, without limitation (i) cleaning and janitorial services relating to the Sublease Premises, window washing or rubbish removal services, (ii) performing any maintenance or making any alterations or repairs, (iii) providing any utility or service not currently provided to the Building and/or the Property, or (iv) taking any action that Prime Landlord has agreed to provide, make, comply with or take, or cause to be provided, made, complied with or taken under the Prime Lease (collectively "Services and Repairs"). Subtenant hereby agrees that Subtenant shall look solely to the Prime Landlord for the performance of any and all of such Services and Repairs, subject to the terms and conditions of this Sublease. Sublandlord hereby grants to Subtenant Sublandlord's rights under the Prime Lease to receive from Prime Landlord Services and Repairs to the Sublease Premises to the extent that Sublandlord is entitled to receive same under the Prime Lease. Sublandlord shall in no event be liable to Subtenant nor shall the obligations of Subtenant hereunder be impaired or the performance thereof excused because of any failure or delay on Prime Landlord's part in furnishing Services and Repairs, unless such failure or delay results from Sublandlord's default under the Prime Lease (which default is not the result of or attributable to any corresponding default of Subtenant under this Sublease).

B. Subtenant shall take good care of the Sublease Premises and, at Subtenant's sole cost and expense, shall clean and provide janitorial services to and rubbish removal from the Sublease Premises and shall make all non-structural repairs and replacements, as and when needed to preserve the Sublease Premises in good working order and condition.

C. Sublandlord, at its expense (but subject to reimbursement as Operating Expenses), shall keep, repair, replace and maintain the common areas, the roof, the foundation, the structural supports and walls and the fixtures, appurtenances, systems and facilities serving the Sublease Premises in working order, condition and repair and the parking and sidewalk areas free from snow and ice, and, at Subtenant's sole cost and expense payable to Sublandlord as Additional Rent, Sublandlord shall make all repairs, structural and otherwise, interior and exterior, as and when needed in or about the Sublease Premises, including without limitation, the maintenance, repair and replacement of the heating, ventilation and air conditioning systems and equipment located within the Sublease Premises, except for (i) those repairs for which Subtenant is responsible pursuant to any other provision of this Sublease, including but not limited to Section 12(B) above, or (ii) repairs to Subtenant's property and its furniture, fixtures and equipment.

D. On Business Days from 8:00 A.M. to 6:00 P.M., Sublandlord shall furnish and distribute to the Sublease Premises through the Building's air conditioning system, heated, cooled and outside air, at reasonable temperatures, pressures and degrees of humidity and in reasonable volumes and velocities (collectively "air conditioning"). No supplemental heating, ventilating or air conditioning equipment shall be installed or utilized by Subtenant in the Sublease Premises without the prior consent of Sublandlord and, pursuant to the Prime Lease, the Prime Landlord. Sublandlord shall have no liability to Subtenant, nor shall any diminution or abatement of rent or additional rent or other compensation or claim of constructive eviction be claimed by Subtenant, by reason of any interruption, curtailment or suspension of any air conditioning system for the Building.

E. Sublandlord reserves the right, without any liability to Subtenant, except as otherwise expressly provided in this Sublease, to stop the service of the air conditioning, supplemental heating, ventilating, elevator, plumbing, electrical, sanitary, mechanical or other service or utility systems of the Building serving the Sublease Premises, or the rendition of any of the other services required of Sublandlord under this Sublease, whenever and for so long as may be necessary, by reason of accident or emergency, strikes, mechanical breakdown, requirement of law, unavoidable delay or for repairs, alterations, replacements or improvements, which in the judgment of Sublandlord, are desirable or necessary, until the reason for such stoppage shall have been eliminated.

13. **Enforcement of Prime Lease**. If Prime Landlord shall default in any of its obligations to Sublandlord with respect to the Sublease Premises, Sublandlord shall not, except as and to the extent hereinafter set forth, be obligated to bring any action or proceeding or to take any steps to enforce Sublandlord's rights against Prime Landlord other than, upon the written request of Subtenant, making a demand upon Prime Landlord to perform its obligations under the Prime Lease with respect to the Sublease Premises. If following the making of such demand and the expiration of any applicable grace period granted to Prime Landlord under the Prime Lease, Prime Landlord shall fail to perform its obligations under the Prime Lease, then Subtenant at Subtenant's sole cost and expense, shall have the right to take such action in its own name. If (a) any such action against Prime Landlord in Subtenant's name is barred by reason of lack of privity, non-assignability or otherwise, and (b) the failure of Prime Landlord to perform its obligations under the Prime Lease has, or would have, a material adverse effect upon the Sublease Premises or Subtenant's permitted use thereof, then subject to and upon the following terms, Subtenant may bring such action in Sublandlord's name and Sublandlord shall execute all documents reasonably required in connection therewith, provided that (i) the same is without cost or expense to Sublandlord, (ii) Subtenant shall provide the indemnification to Sublandlord required pursuant to Article 15 hereof, (iii) Subtenant is not then in default hereunder, and (iv) Subtenant agrees to indemnify and hold Sublandlord harmless from and against any and all costs, charges, damages and liabitilities arising in connection with such contest.

14. **Assignment, Subletting and Encumbrances**.

A. Without the prior written consent of Sublandlord, which consent shall not be unreasonably withheld, provided that the consent of the Prime Landlord shall have first been obtained (if required pursuant to the Prime Lease), and, to the extent required under the Prime Lease, of Prime Landlord, Subtenant shall not (i) assign this Sublease (by operation of law or otherwise), (ii) sub-sublease all or any part of the Sublease Premises, (iii) mortgage, pledge, hypothecate or otherwise encumber its interest in this Sublease or the Sublease Premises or any interest therein, or (iv) grant any concession, license or otherwise permit the Sublease Premises to be used or occupied by anyone other than Subtenant. Any such assignment, sublease, mortgage, pledge, hypothecation or other encumbrance of or under this Sublease without such prior written consent shall be invalid and without force and effect.

B. Any assignment of this Sublease, if consented to, or deemed consented to pursuant to the terms hereof, by Sublandlord, shall be subject to and conditioned upon compliance with the following terms and conditions:

i. By written instrument of assignment and assumption, the assignee shall assume and agree to perform and to comply with all of the terms, conditions and agreements of this Sublease on the part of Subtenant to be kept, performed and observed;

ii. A duplicate original of such instrument, in form satisfactory to Sublandlord; duly acknowledged and executed by the assignor and the assignee, shall be delivered to Sublandlord within five (5) days following the date of execution thereof; and

iii. The assignor shall assign all of its right, title, interest and claim to the Security deposited hereunder to the assignee.

C. Any sub-subletting of the Sublease Premises or any part thereof, if consented to, or deemed consented to pursuant to the terms hereof, by Sublandlord, shall be subject to and conditioned upon compliance with the following terms and conditions:

i. The sub-sublease shall provide that it is subject and subordinate to all of the provisions of this Sublease and all of the rights of Sublandlord hereunder;

ii. The sub-sublease shall expressly provide that the sub-sublessee shall use and occupy the Sublease Premises only for the permitted purposes set forth herein and for no other purpose whatsoever; and

iii. A duplicate original of the sub-sublease, duly executed by Subtenant and sub-sublessee, shall be delivered to Sublandlord within five (5) days following the date of its execution.

D. If this Sublease is assigned, or if the Sublease Premises or any part thereof is sub-sublet or occupied by anyone other than Subtenant, whether or not Subtenant shall have been granted any consent, Sublandlord may, after default by Subtenant, collect rent and other charges from such assignee, sub-subtenant or other occupant, and apply the net amount collected to Rental and other charges herein reserved, but no such assignment, sub-subletting, occupancy or collection shall be deemed to be a waiver of the requirements of this Article 14 or an acceptance of the assignee, sub-subtenant or other occupant as subtenant under this Sublease. No consent by Sublandlord to an assignment or subletting shall in any way be construed to relieve Subtenant from obtaining consent to any further assignment or sub-subletting. No assignment or sub-subletting shall, in any way, release, relieve or modify the liability of Subtenant under this Sublease and Subtenant shall be and remain liable under all of the terms, conditions, and covenants hereof.

E. If Subtenant shall at any time request the consent of Sublandlord to any proposed assignment of this Sublease or sub-subletting of all or any portion of the Sublease Premises, Subtenant shall pay on demand the costs and expenses incurred by Sublandlord and Prime Landlord, including, without limitation, architects', engineers' and attorneys' actual out-of-pocket fees and disbursements, all fees and charges charged identified in the Prime Lease and a reasonable administrative fee for review and/or preparation of documents in connection with any proposed or actual assignment of this Sublease or sub-subletting of the Sublease Premises or any part thereof.

F. In the event Sublandlord's consent to any assignment, sublease, mortgage pledge, hypothecation or other encumbrance is deemed given pursuant to the express terms of this Sublease (or the Prime Lease, as incorporated herein), Subtenant shall not be relieved from its obligation to obtain the prior written consent thereto of Prime Landlord. Any such assignment, sublease, mortgage, pledge, hypothecation or other encumbrance of or under this Sublease without such prior written consent shall be invalid and without force and effect.

15. **Indemnification**.

A. Sublandlord, Prime Landlord and the employees, agents, contractors, licensees and invitees (collectively "Agents") of each (collectively, "Indemnified Parties"), shall not be liable to Subtenant or its Agents, and Subtenant shall indemnify and hold harmless the Indemnified Parties from and against any and all suits, claims, demands, liabilities, damages (including, without limitation, consequential damages) costs and expenses of every kind and nature for which the Indemnified Parties are not reimbursed by insurance (including, without limiting the generality of the foregoing, attorneys' fees, disbursements and court costs, penalties and fines suffered or paid by Prime Landlord and/or Sublandlord in any action or proceeding between or among Subtenant and Prime Landlord and/or Sublandlord, any third party and/ Prime Landlord and/or Sublandlord, or otherwise) incurred in connection with or arising out of the following, to the extent not caused by the negligence of the Indemnified Parties:

i. any injury or damage to any person happening on or about the Sublease Premises, or for any injury or damage to the Sublease Premises, or to any property of Subtenant or of any other natural person or persons, partnership, corporation, limited liability company, firm, association or other form of business or legal association or entity (each, a "Person") on or about the Sublease Premises;

ii. any injury or damage to any person happening on or about the Property or the Remaining Premises (as defined herein), or for any injury or damage to the Property or the Remaining Premises, or to any property of Subtenant or of any other Person on or about the Remaining Premises or the Property, related to or arising out of any act or omission of Subtenant or any Agents of Subtenant;

iii. default by Subtenant in the payment of the Rental or any other default by Subtenant in the observance or performance of, or compliance with any of the terms, provisions or conditions of this Sublease, including, without limitation, such matters relating to obtaining the possession of the Sublease Premises following any such default;

iv. the exercise by Subtenant or any Person claiming through or under Subtenant of any rights against Prime Landlord granted to Subtenant hereunder;

v. any holdover beyond the expiration or sooner termination of the Term of this Sublease;

vi. any acts, omissions or negligence of Subtenant or any Person claiming through or under Subtenant, or the Agents of Subtenant or any such Person, in or about the Sublease Premises or the Building; or

vii. any proceeding, action or dispute that Sublandlord or Subtenant may institute or be a part pursuant to Article 13 of this Sublease, except to the extent that any such proceeding, action or dispute shall determine that Prime Landlord's failure or refusal to provide Services or Repairs is justified because of Sublandlord's gross negligence, willful misconduct or breach of this Sublease or the Prime Lease, and not resulting from Subtenant's acts or omissions.

B. The provisions of this Article 15 shall survive the expiration or earlier termination of this Sublease.

16. **Alterations**. Subtenant shall make no alterations, installations, additions or improvements (collectively, "Alterations") in or about the Sublease Premises without the prior written consent of Sublandlord in each instance, which consent shall not be unreasonably withheld provided that the prior written consent of the Prime Landlord is obtained (to the extent the consent of the Prime Landlord is required pursuant to the Prime Lease). Notwitthstanding the foregoing, Subtenant shall have the right to perform Alterations to the Equipment without obtaining the consent of Sublandlord, provided however, that Subtenant shall obtain the prior consent of the Prime Landlord, to the extent that the Prime Landlord's consent is required pursuant to the terms of the Prime Lease. Any Alterations consented to by Sublandlord shall be performed by Subtenant at its sole cost and expense and in compliance with all of the provisions of the Prime Lease, including the provisions requiring the Prime Landlord's prior written consent, and also in compliance with such other reasonable requirements of Sublandlord and Prime Landlord. Subtenant shall pay to Sublandlord any and all amounts payable to Prime Landlord in connection with Prime Landlord's review and/or inspection of (a) any plans and/or specifications relating to any proposed Alterations, and (b) any Alterations during and subsequent to the making thereof. Subtenant acknowledges that any such Alterations may become the property of the Prime Landlord in accordance with Section 9.02 of the Prime Lease. If Sublandlord determines that the services of architects, engineers or other professionals are reasonably required in order to review Subtenant's plans for any Alterations, and the performance of any inspections of such Alterations (during and subsequent to the making thereof), the fees and expenses of such professionals shall be deemed Additional Rent and paid promptly by Subtenant upon being billed therefor. Prior to the expiration (or any sooner termination) of the Term, if removal is required by either the Sublandlord or the Prime Landlord in accordance with Section 9.02 of the Prime Lease, Subtenant, at its sole cost and expense, shall remove any and all Alterations so required to be removed, and shall restore the Sublease Premises to good condition following such removal. Notwithstanding any language to the contrary, but provided that the prior written consent of the Prime Landlord is obtained (to the extent the consent of the Prime Landlord is required pursuant to the Prime Lease), Sublandlord agrees to the installation of security cameras and employee key card entry systems, all at Subtenant's sole cost and expense, so long as Sublandlord is notified prior to installation of these systems and these installations are installed by licensed electricians.

17. **Insurance**.

A. Subtenant, at Subtenant's sole cost and expense, shall maintain for the benefit of Sublandlord and Prime Landlord such policies of insurance (and in such form) as are required of Sublandlord by the Prime Lease with respect to the Sublease Premises during Subtenant's use and occupancy thereof, which policies shall be reasonably satisfactory to Sublandlord as to coverage and insurer (which shall be licensed to do business in the State of New Jersey), provided that such insurance shall at a minimum include commercial general liability insurance protecting Sublandlord, Prime Landlord and Subtenant against all claims and liabilities for injury or damage to persons or property occurring in, on or about the Sublease Premises during Subtenant's use or occupancy thereof, and the public portions of the Building, caused by or resulting from or in connection with any act or omission of Subtenant and/or Subtenant's employees, agents, contractors, licensees or invitees.

B. Nothing contained in this Sublease shall relieve Subtenant from any liability as a result of damage from fire or other casualty, but each party shall look first to any insurance in its favor before making any claim against the other party for recovery for loss or damage resulting from fire or other casualty. To the extent that such insurance is in force and collectible and to the extent permitted by law, Sublandlord and Subtenant each hereby releases and waives all right to recover against the other or anyone claiming through or under the other by way of subrogation or otherwise, and Subtenant also releases and waives all right to recover against Prime Landlord. The foregoing release and waiver shall be in force only if the insurance policies of Sublandlord and Subtenant provide that such release or waiver does not invalidate the insurance; each party agrees to use reasonable efforts to include such a provision in its applicable insurance policies. If the inclusion of said provision would involve an additional expense, either party, at its sole expense, may require such provision to be inserted in the other's policy.

18. **Right to Make Repairs**.

A. In the event Sublandlord or Prime Landlord shall require access to the Sublease Premises to perform any repairs or replacements which relate to Sublandlord's use and occupancy of the remainder of the Premises, Subtenant hereby agrees that it shall provide access to Sublandlord, provided that, except in an emergency, Sublandlord shall (i) provide Subtenant with reasonable prior notice, (ii) perform such repairs or replacements at such times which are reasonably satisfactory to Subtenant and (iii) not unreasonably interfere with Subtenant's business operations in the Sublease Premises.

B. If Subtenant shall default in the observance or performance of any term or covenant on its part to be observed or performed under or by virtue of any of the terms or provisions in any Article of this Sublease or in the Prime Lease, as incorporated herein, Sublandlord or Prime Landlord, without being under any obligation to do so and without thereby waiving such default, may remedy such default for the account and at the expense of Subtenant. If Sublandlord makes any expenditures or incurs any obligations for the payment of money in connection therewith, including but not limited to, attorneys' fees in instituting, prosecuting or defending any action or proceeding and whether or not any legal action is instituted, such sums paid or obligations incurred, with interest and costs, shall be deemed to be Additional Rent hereunder and shall be paid to Sublandlord by Subtenant within ten (10) days of Sublandlord's demand.

C. Subtenant shall permit Sublandlord, at Sublandlord's sole cost and expense, or Prime Landlord, to erect, use and maintain pipes, ducts and conduits within and through the walls and ceilings of the Sublease Premises provided that Sublandlord reasonably coordinates any such installations with Subtenant, and same do not materially unreasonably interfere with Subtenant's use of the Sublease Premises. Sublandlord or Prime Landlord or their respective agents or designees shall have the right upon reasonable notice and at reasonable times, except in the case of an emergency (for which no notice shall be required), to enter the Sublease Premises for the purpose of making such repairs or alterations as shall be required or for which Sublandlord shall have the right pursuant to the terms of this Sublease and to access, repair, replace, alter, modify and inspect any portions of the Building's systems and equipment as may be located within the Sublease Premises in connection with any repairs, replacements, alterations, upgrades, modifications, installations, montitoring, maintenance or upkeep of the Building, the Sublease Premises or any part of the Original Premises. Sublandlord or Prime Landlord shall also have the right, upon reasonable prior notice to Subtenant and at reasonable times, to enter the Sublease Premises for the purpose of inspecting them or, in the event Subtenant is in default hereunder, exhibiting them to prospective subtenants. Sublandlord or Prime Landlord shall be allowed to take all material into and upon the Sublease Premises that may be required for the repair or alterations above mentioned without the same constituting an eviction of Subtenant in whole or in part and the Rental reserved shall in no way abate, except as otherwise provided in this sublease, while said repairs or alterations are being made.

D. Sublandlord, at Sublandlord's sole cost and expense, or the Prime Landlord shall have the right at any time without thereby creating an actual or constructive eviction or incurring any liability to Subtenant therefor, to install in the Building or to change the arrangements or locations of such of the following as are contained in the Building: lobbies, entrances, elevators, passageways, doors and doorways, corridors, stairs, parking facilities, toilets, and other like public portions of the Building.

19. **Attornment**. Notwithstanding anything to the contrary set forth in this Sublease, if the Prime Lease and Sublandlord's leasehold interest in the Original Premises shall be terminated, Subtenant shall, if so requested in writing by Prime Landlord, attorn to Prime Landlord and shall, during the term of this Sublease, perform all of the terms, covenants and conditions of this Sublease on the part of Subtenant to be performed. In the event of any such attornment, Prime Landlord shall not be (a) liable for any act or omission or default of any prior sublessor (including, without limitation, Sublandlord), (b) subject to any offsets or defenses which Subtenant might have against any prior sublessor (including without limitation, Sublandlord), (c) bound by any rent or additional rent which Subtenant might have paid for more than the current month to any prior sublessor (including, without limitation, Sublandlord), (d) bound by any obligation to make any payment to or on behalf of Subtenant, (e) bound to return the Security, if any, until the Security has come into Prime Landlord's actual possession and Subtenant is entitled to such Security pursuant to the terms of this Sublease or (f) bound by any amendment or modification of this Sublease made without Prime Landlord's consent. The foregoing shall be self-operative without the necessity of the execution of any further instruments but Subtenant agrees, upon the demand of Prime Landlord, to execute, acknowledge and deliver any instrument or instruments confirming such attornment.

20. **Destruction by Fire or Other Casualty; Condemnation**.

A. If the Sublease Premises and/or the Building are partially or totally damaged or destroyed by fire or other casualty, Subtenant shall have the right to terminate this Sublease in the same form and fashion and subject to the same qualifications and limitations as apply to the Sublandlord's right to terminate the Prime Lease (in its capacity as tenant under the Prime Lease), as set forth in Article 11 of the Prime Lease (and subject to the Prime Landlord's right to restore as set forth therein). Notwithstanding the foregoing, this Sublease shall be automatically terminated by reason of such casualty in the event that the Prime Lease is terminated by Sublandlord or Prime Landlord in the exercise of any termination rights conferred upon such parties pursuant to the provisions of the Prime Lease. Sublandlord shall give Subtenant prompt notice of any such termination.

B. If the Sublease Premises is partially or totally damaged by fire or other casualty, Subtenant shall receive an abatement of Rental for such casualty to the extent that Sublandlord receives a corresponding abatement pursuant to the terms of the Prime Lease.

C. If the Prime Lease is terminated as the result of a taking of all or any portion of the Building by condemnation (or deed in lieu thereof), this Sublease shall likewise terminate. In such event, Subtenant shall have no claim to any share of the award, except to file a claim for the value of its fixtures or for moving expenses.

D. Subtenant acknowledges and agrees that Sublandlord shall bear no obligation nor responsibility to restore or replace or perform any work to the Sublease Premises or the Original Premises in connection with any casualty or condemnation.

21. **Security**.

A. Subtenant has deposited with Sublandlord a letter of credit (the "Letter") in the amount of $175,000.00 (the "Security Amount"), complying with the requirements of Section 21(B) hereof, as security ("Security") for the full and punctual performance by Subtenant of all of the terms of this Sublease. At the election of Sublandlord such Security shall be held by Sublandlord in the form of the Letter or as cash. If Subtenant defaults in the performance of any of the terms of this Sublease, including the payment of Rental, Sublandlord may use, apply or retain the whole or any part of the Security so deposited to the extent required for the payment of any rent or for any sum which Sublandlord may expend or may be required to expend by reason of Subtenant's default in respect of any of the terms, provisions or conditions set forth in this Sublease or in the Prime Lease (to the extent incorporated herein), whether accruing before or after summary proceedings or other re-entry by Sublandlord. In the case of every such use, application or retention, Subtenant, on demand, shall cause the Letter or cash deposit, as the case may be, to be restored to the full Security Amount as provided in Section 21(B) below with respect to the Letter, and any failure by Subtenant to do so on demand shall constitute a default under this Sublease. If any bankruptcy, insolvency, reorganization or other creditor debtor proceedings shall be instituted by or against Subtenant, or its successors or assigns, any Security deposited with Sublandlord pursuant to this Section shall be deemed to be applied first to the payment of any rents and/or other charges due Sublandlord for all periods prior to the institution of such proceedings and the balance, if any, of such security deposited with Sublandlord may be retained by Sublandlord in partial liquidation of Sublandlord's damages. If Subtenant shall fully and punctually comply with all of the terms of this Sublease, the Letter or cash deposit, as the case may be, shall be returned to Subtenant after the termination of this Sublease and delivery of exclusive possession of the Sublease Premises to Sublandlord. In the event of a sale or lease of the Building, Sublandlord shall have the right to transfer the security to the vendee or lessee and Sublandlord shall upon such transfer be released by Subtenant from all liability for the return of such security and Subtenant agrees to look solely to the new landlord for the return of said security. The provisions of this Section shall apply to every transfer or assignment made of the security to a new landlord. Subtenant shall not assign or encumber or attempt to assign or encumber the money deposited herein as security and neither Sublandlord nor its successors or assigns shall be bound by any such attempt, assignment or encumbrance.

B. The Letter shall be an irrevocable, clean, unconditional and transferable commercial letter of credit, in the form of Exhibit D attached hereto and made a part hereof and issued by a reputable banking institution approved by Sublandlord in its sole, but reasonable judgment, which Letter shall permit Sublandlord (i) to draw thereon at a location in New York City or in New Jersey up to the full amount of the credit evidenced thereby for the payment of amounts due under the terms, provisions, covenants or conditions of this lease and (ii) to draw at a location in New York City or New Jersey or by facsimile, the full amount thereof to be held as cash security if for any reason the Letter is not renewed within forty-five (45) days prior to its expiration date. The Letter (and each renewal thereof) shall (i) be for a term of not less than one (1) year (except that the last Letter shall be for a term expiring sixty (60) days after the Expiration Date); (ii) expressly provide for the issuing bank to notify Sublandlord in writing not less than sixty (60) days prior to its expiration as to its renewal or non-renewal, as the case may be; (iii) be fully transferable by the beneficiary thereof to its successors and assigns; and (iv) be in form and substance reasonably approved by Sublandlord. The Letter shall expressly provide that the issuing bank shall pay to Sublandlord or its duly authorized representative an amount up to the face amount of the Letter upon presentation of the Letter and a sight draft in the amount to be drawn. Not less than forty-five (45) days prior to the expiration date of each Letter (and every renewal thereof), Subtenant shall deliver to Sublandlord a renewal or new Letter subject to all of the conditions aforesaid, all to the intent and purposes, that a Letter in the sum of not less than the Security Amount shall be in effect during the entire Term and the failure of the Letter to be timely renewed or replaced shall be a default by Subtenant hereunder notwithstanding that Sublandlord may be retaining such cash security. If Sublandlord applies or retains any portion or all of the proceeds of the Letter, Subtenant shall restore the amount so applied or retained by causing the bank issuing the Letter to issue an amendment thereto, or if no Letter was then outstanding by causing a new Letter to be issued so that, at all times, the amount of the Letter which may be drawn upon shall be at least equal to the Security Amount. If the financial institution which issued such Letter enters into any form of regulatory or governmental receivership, conservatorship or other similar regulatory or governmental proceeding including, without limitation, any receivership or conservatorship initiated or commenced by or on behalf of the Federal Deposit Insurance Corporation (FDIC), or is otherwise declared insolvent or downgraded by the FDIC or closed for any reason, Subtenant shall immediately deliver to Sublandlord a substitute letter of credit from a financial institution acceptable to Sublandlord, in its sole and absolute discretion. Failure by Subtenant to comply with the provisions of this Article shall be deemed a material default hereunder entitling Sublandlord to exercise any and all remedies as provided in this Sublease for default in the payment of Rental and, to draw on the existing Letter up to its full amount.

22. **Broker**. Each party warrants and represents to the other party hereto that it has not dealt with any brokers in connection with this Sublease other than Jones Lang LaSalle Americas, Inc. ("JLL") and CB Richard Ellis, Inc. ("CBRE", together with JLL, the "Broker") Sublandlord shall pay the Broker a commission relating solely to the rental provided for in this Sublease, in accordance with a separate agreement. In the event CBRE seeks any commission relating to the Equipment Sale Agreement, Subtenant shall pay the Subtenant's Broker such commission. Each party hereby indemnifies and holds the other party hereto harmless from any and all loss, damage, claim, liability, cost or expense (including, but not limited to, reasonable attorneys' fees, disbursements and court costs) arising out of or in connection with any breach of the foregoing covenants, representations and warranties. The provisions of this Article 22 shall survive the expiration or earlier termination of this Sublease.

23. **Notices**. All notices, consents, approvals or other communications (collectively a "Notice") required to be given under this Sublease or pursuant to law shall be in writing and, unless otherwise required by law, shall be either personally delivered, or sent by reputable overnight courier service, or sent by registered or certified mail, return receipt requested, postage prepaid, addressed to the party which is to receive such Notice at its at its address set forth in the preamble to this Sublease or such other address as such party may designate by Notice to the other; and in the case of Notices to Sublandlord, with a copy to Sublandlord's attorneys: Curtis, Mallet-Prevost, Colt & Mosle LLP, 101 Park Avenue, New York, NY 10178, Attention: Eric L. Gilioli, Esq. Any Notice given pursuant hereto shall be deemed to have been received on delivery, if personally delivered, or one (1) Business Day following delivery to a reputable overnight courier service, or three (3) Business Days after the mailing thereof if mailed in accordance with the terms hereof, such mailing to be effected by depositing the Notice in any post office, branch post office or official depository regularly maintained by the United States Postal Service. If a party shall refuse to accept a Notice, then delivery shall be deemed to have occurred upon such refusal.

24. **No Waivers**. Failure by either party in any instance to insist upon the strict performance of any one or more of the obligations of the other party under this Sublease, or to exercise any election herein contained, or acceptance of payment of any kind with knowledge of a default by the other party shall in no manner be or be deemed to be a waiver by such party of any defaults or breaches hereunder or of any of its rights and remedies by reason of such defaults or breaches, or a waiver or relinquishment for the future of the requirement of strict performance of any and all of the defaulting party's obligations hereunder. Further, no payment by Subtenant or receipt by Sublandlord of a lesser amount than the correct amount of Rental due hereunder shall be deemed to be other than a payment on account, nor shall any endorsement or statement on any check or any letter accompanying any check or payment be deemed to effect or evidence an accord and satisfaction, and Sublandlord may accept any checks or payments as made without prejudice to Sublandlord's right to recover the balance or pursue any other remedy in this Sublease or otherwise provided at law or in equity.

25. **Consent**.

A. Whenever in this Sublease it is provided that either party will not unreasonably withhold its consent to any matter, such party shall also be deemed to have agreed not to unreasonably delay such consent. Sublandlord shall not be deemed to have unreasonably withheld or delayed its consent to any matter if Prime Landlord's consent to the matter requested is required by the provisions of the Prime Lease and if Prime Landlord shall have withheld or delayed its consent to such matter.

B. If Subtenant shall request Sublandlord's consent to any matter and such consent is withheld or delayed, Subtenant shall not be entitled to any damages by reason thereof, it being intended that the sole remedy therefor shall be an action for specific performance or injunction and that such remedy shall only be available when Sublandlord has agreed herein not to unreasonably withhold or delay such consent or when, as a matter of law, such consent may not be unreasonably withheld or delayed.

26. **Expiration of Term**.

A . Upon the expiration or sooner termination of the Term, Subtenant shall quit and surrender the Sublease Premises to Sublandlord, vacant and broom clean and in good order and condition, ordinary wear and tear excepted, and by such date Subtenant, at its sole cost and expense, shall have cleaned and resealed all exposed concrete floors in the Sublease Premises, removed all of Subtenant's movable fixtures and movable partitions, telephone and other equipment, furniture, furnishings and other items of movable personal property, removed the equipment (the "Equipment", as described in Exhibit E annexed hereto) and any Alterations performed by or on behalf of Subtenant from the Sublease Premises, to the extent such removals are required by either the Sublandlord or the Prime Landlord in accordance with the Prime Lease and shall have restored any damage to the Sublease Premises caused by such removal and/or work; provided however, if Subtenant is not required to remove the Equipment nor to surrender it in good order and condition, Subtenant shall surrender such Equipment in its then "as-is" condition.

B. In addition to its obligation to pay Operating Expenses as provided hereunder, Subtenant agrees to pay to Sublandlord within twenty (20) days of written demand therefor, twenty-five percent (25%) of any and all costs and expenses charged to Sublandlord, including without limitation all costs and expenses charged to or incurred by Sublandlord in connection with the performance of any and all surrender obligations imposed upon Sublandlord by Prime Landlord or pursuant to the Prime Lease, relating to the physical condition of the Original Premises, including without limitation, the Building, the Property and any and all building systems and equipment therein or thereon, whether same be structural or non structural in nature, or located in the exterior or interior, or classified as a capital expenditure.

C. Subtenant's obligation to observe or perform these covenants shall survive the expiration or sooner termination of the Term of this Sublease. Subtenant's failure to comply with its covenants set forth in this Article 26 shall entitle Sublandlord to all of its rights hereunder, including, without limitation, the right to indemnification pursuant to Article 15 hereof for consequential damages arising out of Subtenant's failure to surrender the Sublease Premises when and in the condition required herein.

27. **Limitation of Liability**. If Sublandlord shall be an individual, joint venture, trust, tenancy in common, co-partnership, limited liability company, unincorporated association, or other unincorporated aggregate of individuals and/or entities or a corporation, Subtenant shall look first to Sublandlord's leasehold estate and property in the Sublease Premises for the satisfaction of Subtenant's remedies for the collection of a judgment (or other judicial process) requiring the payment of money by Sublandlord in the event of any default by Sublandlord hereunder, and only then to other property or assets of Sublandlord.

28. **Parking**. Subtenant shall have the non-exclusive right, together with the other tenants and occupants of the Remaining Premises and their employees, agents, licensees and invitees, to use such parking areas (up to Subtenant's Total Share thereof) and any driveways appurtenant thereto for the purposes of egress and ingress, parking of vehicles for itself, its customers and employees, and the loading and unloading of vehicles in connection with and incidental to the business conducted by Subtenant in the Sublease Premises, all without additional charge. Subtenant shall cause its employees to comply with all reasonable rules and regulations which Sublandlord may promulgate in writing with respect to parking in the parking lot.

29. **Signage**. Subtenant shall have the right, at Subtenant's sole cost and expense, subject to the prior consent of the Prime Landlord and subject to Subtenant's compliance with law and the provisions in the Prime Lease and this Sublease relating to the performance of alterations, to install its sign panel on the highest position on the existing monument sign structure (provided that the space utilized does not exceed Subtenant's Total Share of the available signage space on the monument sign) located at the Original Premises. Sublandlord agrees to not unreasonably withhold its consent to any signage plan that is proposed by Subtenant; provided that it is first approved by Prime Landlord in writing. Subtenant, at Subtenant's sole cost and expense, shall be responsible for the maintenance of the monument sign.

30. **Rules and Regulations**. Subtenant shall abide by, and faithfully observe and comply with such rules and regulations as may be reasonably promulgated, amended or added to thereafter, provided same shall be adopted and published by written notice to subtenants by Sublandlord for the safety, care, security, good order and/or cleanliness of the Original Premises, the Sublease Premises and/or the Building. Sublandlord shall not be liable to Subtenant for any violation of such rules and regulations by any other tenant or occupant of the Original Premises.

31. **Miscellaneous**.

A. This Sublease shall be governed by and construed in accordance with the laws of the State of New Jersey without regard to the conflicts of law principles thereof.

B. The section headings in this Sublease are inserted only as a matter of convenience for reference and are not to be given any effect in construing this Sublease.

C. If any of the provisions of this Sublease or the application thereof to any person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder of this Sublease shall not be affected thereby and shall be valid and enforceable to the fullest extent permitted by law.

D. All of the terms and provisions of this Sublease shall be binding upon and inure to the benefit of the parties hereto and their respective permitted successors and assigns.

E. All prior negotiations and agreements relating to this Sublease and the Sublease Premises are merged into this Sublease. This Sublease may not be amended, modified or terminated, in whole or in part, nor may any of the provisions be waived, except by a written instrument executed by the party against whom enforcement of such amendment, modification, termination or waiver is sought and unless the same is permitted under the terms and provisions of the Prime Lease.

F. This Sublease shall have no binding force and effect and shall not confer any rights or impose any obligations upon either party unless and until both parties have executed it and Sublandlord shall have obtained Prime Landlord's written consent to this Sublease and delivered to Subtenant an executed copy of such consent. Under no circumstances shall the submission of this Sublease in draft form by or to either party be deemed to constitute an offer for the subleasing of the Premises.

G. This Sublease and all the obligations of Subtenant to pay Rental and perform all of its other covenants and agreements hereunder shall in no way be affected, impaired, delayed or excused because Sublandlord and/or Prime Landlord are unable to fulfill any of their respective obligations hereunder, either explicit or implicit, if Sublandlord and/or Prime Landlord are prevented or delayed from so doing by reason of strikes or labor trouble or by accident, adjustment of insurance or by any cause whatsoever reasonably beyond Sublandlord's and/or Prime Landlords' control.

H. Each and every right and remedy of Sublandlord under this Sublease shall be cumulative and in addition to every other right and remedy herein contained or now or hereafter existing at law or in equity, by statute or otherwise.

I. At any time and from time to time Subtenant shall, within ten (10) days after a written request by Sublandlord, execute, acknowledge and deliver to Sublandlord a written statement certifying (i) that this Sublease has not been modified and is in full force and effect or, if modified, that this Sublease is in full force and effect as modified, and specifying such modifications, (ii) the dates to which the Fixed Rent and Additional Rent and other charges have been paid, (iii) that to the best of Subtenant's knowledge, no defaults exist under this Sublease or, if any do exist, the nature of such default and (iv) as to such other matters as Sublandlord may reasonably request.

J. Subtenant agrees that in executing this Sublease, it has not relied upon any statements, representations, covenants or warranties made by Sublandlord or any person acting on behalf of Sublandlord other than those, if any, expressly set forth in this Sublease and on such investigations, examinations and inspections as Subtenant has chosen to make or has made.

K. If there are any provisions of this Sublease that are inconsistent with the Prime Lease, the provisions of this Sublease shall govern as between Sublandlord and Subtenant unless to do so would result in a default under the Prime Lease in which case the terms of the Prime Lease shall govern.

L. This Sublease may be executed in any number of counterparts with the same effect as if both parties had signed the same documents. All counterparts shall be construed together and shall constitute one Sublease.

M. This Sublease shall be construed without regard to any presumption or other rule requiring construction against the party causing this Sublease to be drafted. Each covenant, agreement, obligation or other provision of this Sublease shall be deemed and construed as a separate and independent covenant of the party bound by, undertaking or making the same, which covenant, agreement, obligation or other provision shall be construed and interpreted in the context of the Sublease as a whole. All terms and words used in this Sublease, regardless of the number or gender in which they are used, shall be deemed to include any other number and any other gender as the context may require.

N. The parties hereby waive any rights that they may have to trial by jury in any summary action or any other action, proceeding or counterclaim (other than mandatory counterclaims) arising out of or in any way connected with this Sublease, the relationship of Sublandlord and Subtenant, the Sublease Premises and the use and occupancy thereof, and any claim for injury or damages, to the extent permitted under applicable law.

32. **Execution of Sublease**. This Sublease is submitted to Subtenant for signature with the understanding that it shall not bind Sublandlord or Subtenant unless and until it is duly executed by both Subtenant and Sublandlord, the conditions regarding Prime Landlord's approval of this Sublease set forth herein shall have been satisfied and an executed copy of this Sublease is delivered to Subtenant.

[no further text on this page]

IN WITNESS WHEREOF, the parties hereto have duly executed this Sublease as of the day and year first above written.

SUBLANDLORD:

ENZON PHARMACEUTICALS, INC.

By: /s/ George W. Hebard III
Name: George W. Hebard III
Title: Interim Principal Executive Officer

SUBTENANT:

AXCELLERATE PHARMA, LLC

By: /s/ Salvatore La Rosa
Name: Salvatore La Rosa
Title: Director

EXHIBIT A

Prime Lease
(and copy of May 2012 Consent Letter from Prime Landlord)

EXHIBIT B

Sublease Premises

EXHIBIT C

Anticipated Expenses

1. **One boiler needs a new heat exchange – covered on warranty (billing is expected to be for labor only);**
2. **One boiler needs motherboard replacement;**
3. **Potential roof repair/replacement; and**
4. **Possible security system alteration and upgrades.**

EXHIBIT D

Form of Letter of Credit

_____, 2013

ENZON PHARMACEUTICALS, INC. f/k/a Enzon, Inc.
_____
_____
Attn: _____

Re: Clean Irrevocable Letter of Credit No._____

Gentlemen:

We hereby establish our Clean Irrevocable Letter of Credit No.__ in your favor for the account of _____ (the "Tenant"), up to the aggregate amount of $_____. You may draw upon such Letter of Credit at sight (or by facsimile machine sent to fax. no.: _____) on or before _____, _____, upon the presentation of your draft. We will honor the same without requiring anything further of any party or person and regardless of any contrary claims, demands or instructions. You may make partial or full drawings not to exceed the foregoing aggregate amount.

This Letter of Credit expires at the close of banking business on _____, _____ (hereinafter, as such date may be extended pursuant to the provisions hereof, the "Expiration Date"). It is a condition of this Letter of Credit that the Expiration Date of this Letter of Credit shall be deemed automatically extended for additional periods of one (1) year each from the Expiration Date through and ending _____, _____, unless not less than _____ (____) days prior to the then prevailing Expiration Date, we shall notify you in writing, by registered or certified mail, that we elect not to extend this Letter of Credit for any such additional period. In such latter event, you may draw the full aggregate amount of this Letter of Credit.

This Letter of Credit is binding upon, and shall inure to the benefit of, the parties and their successors and assigns. This Letter of Credit may be transferred by you, as beneficiary hereof, upon prior written notice to us, without any additional charge. This Letter of Credit sets forth our entire undertaking and shall not be modified, amended or expanded by reference to any other document, instrument or agreement.

[NAME OF BANK]

By _____
Name:
Its , duly authorized

EXHIBIT E

Equipment

Exhibit 10.29

SEPARATION AGREEMENT

This Separation Agreement (this "Agreement") is made as of the 13th day of December, 2013, between Enzon Pharmaceuticals, Inc., a Delaware corporation, with offices in Piscataway, New Jersey (the "Company"), and George W. Hebard III (the "Executive").

BACKGROUND

A. This Agreement constitutes the agreement between the Company and the Executive concerning the Executive's separation from employment with the Company.

B. The Company desires to ensure that it can rely on the continued services of the Executive to assist with a transition in the business of the Company, in order to avoid potentially material liabilities, obligations or losses that might arise from such transition if the Company is not able to rely on employees who have experience with the operations of the Company.

TERMS

In consideration of the foregoing premises and for other good and valuable consideration, the Company and Executive agree as follows:

l. Term of Agreement. The term of this Agreement (the "Term") shall commence on the date hereof as first written above and shall continue through the Separation Date. The term “Separation Date” means December 31, 2013.

2. Continuation of Employment. During the Term, the Executive’s employment shall continue on substantially the same terms and conditions as are in effect on the date hereof, subject to changes, if any, required by law. The Executive’s employment shall terminate on the Separation Date.

3. Payments and Benefits Upon Termination.

(a) Subject to the continued employment of the Executive through the Separation Date, the Company shall:

(i) pay to the Executive his regular salary through the Separation Date, and any earned and unused compensated time off, payable in one lump sum payment on the next regular payday following the Separation Date; and

(ii) so long as the Executive continues to provide consulting services for the Company cause each outstanding and unvested equity-based compensation award granted to the Executive in his role as Interim Principal Executive Officer to continue to vest in accordance with its terms. Vesting will cease if the Executive informs the Board of Directors (the “Board”) prior to the applicable vesting date that he is no longer able or willing to provide such services or if the Board informs the Executive prior to the applicable vesting date that his consulting services are no longer required. For the avoidance of doubt, Executive acknowledges that all equity grants made to him as a director have been cancelled.

4. General Release. In consideration of the benefits Executive will receive under this Agreement, to which Executive would not otherwise be entitled, Executive hereby releases and discharges Company, from any and all claims and/or causes of action, known and unknown, which Executive may have or could claim to have against the Company up to and including the date of signing this Agreement. This general release includes, but is not limited to, all claims arising from or during Executive's employment or as a result of the end of Executive's employment and all claims arising under federal, state or local laws prohibiting employment discrimination and/or harassment based upon age, race, sex, religion, handicap, national origin, sexual orientation, veteran status, or any other protected characteristic, including but not limited to any and all claims arising under Title VII of the Civil Rights Act of 1964 and 1991, the Age Discrimination in Employment Act, the Employee Retirement Income Security Act of 1974, the Americans with Disabilities Act, the Rehabilitation Act, the Equal Pay Act, the Family and Medical Leave Act, the Fair Labor Standard Act, the Sarbanes-Oxley Act, the Health Insurance Portability and Accountability Act, the New Jersey Law Against Discrimination, the New Jersey Conscientious Employee Protection Act, the New Jersey Family Leave Act, New Jersey Paid Leave Insurance Act, any applicable state wage and hour laws, and/or any other state, federal, or municipal employment discrimination statutes (including but not limited to claims based on age, sex, attainment of benefit plan rights, race, national origin, religion, handicap, sexual orientation, sexual harassment, marital status, retaliation, and veteran status), and/or any other federal, state, or local statute, law, ordinance, or regulation and/or pursuant to any other theory whatsoever, including but not limited to claims related to breach of implied or express employment contracts, breach of the implied covenant of good faith and fair dealing, defamation, wrongful discharge, constructive discharge, negligence of any kind, intentional infliction of emotional distress, whistleblowing, estoppel or detrimental reliance, public policy, constitutional or tort claims, violation of the penal statutes and common law claims, or pursuant to any other theory or claim whatsoever, arising out of or related to employment with the Company and/or any other occurrence from the beginning of time to the date of this Agreement, whether presently asserted or otherwise. This Agreement specifically includes any and all claims, demands, obligations, and/or causes of action for damages or penalties relating to or in any way connected with the matters referred to herein, whether or not now known or suspected to exist, and whether or not specifically or particularly described or referred to herein. Executive expressly waives any right or claim of right to assert hereafter that any claim, demand, obligation, damage, liability and/or cause of action has, through ignorance, oversight or error, been omitted from the terms of this Agreement. Executive represents that he has not heretofore assigned or transferred, or purported to assign or transfer, to any person or entity, any claim, known or unknown to exist, or any portion thereof or interest therein, which such person has or may have had against the Company. This Agreement and release does not, however, require Executive to waive the right to file a charge with or participate before the Equal Employment Opportunity Commission, provided, however, that Executive gives up the right to recover damages and attorneys' fees from such a proceeding. Nor does this Agreement and Release require Executive to waive vested rights, if any, to pension, retiree, health or similar benefits under the Company's existing plans or Executive's right to enforce this Agreement. Executive specifically acknowledges that he does not have any vested rights to any such pension, retiree, health or similar benefit other than rights as a participant in the Company's terminated 401K defined contribution retirement plan and as an eligible employee in the Company's health care plan. Unless otherwise prohibited by law, Executive agrees that should Executive file a lawsuit in court which is found to be barred in whole or part by this Agreement, Executive will pay back to the Company any and all sums paid by the Company to Executive or on Executive's behalf pursuant to this Agreement and Executive will pay the legal fees incurred by the Company in defending those claims found to be barred.

5. Provision of Consulting Services. Executive agrees to continue to serve as Principal Executive Officer and to render to the Company following the Separation Date such reasonable consulting services as the Company may from time to time reasonably request. In consideration of such services, Company agrees to pay to Executive a fee of $250 per hour for each hour or portion of an hour worked. The Company agrees to reimburse Executive for his reasonable expenses incurred in connection with his performance of services hereunder, provided that any such expense in excess of one thousand dollars ($1,000) must be pre-approved by the Company. Executive agrees to retain and provide the Company with evidence of his performance of services and any such expenses reasonably acceptable to the Company as a condition to his entitlement to any compensation hereunder. For the avoidance of doubt, the provisions in this paragraph 5 can be terminated by the Company or the Executive at any time, for any reason.

6. Indemnification and Insurance. The Company shall indemnify Executive and hold him harmless from and against any claim, liability and expense (including, without limitation, reasonable attorney fees) made against or incurred by him by any third party (excluding the Company and its affiliates) in connection with his employment by or consulting services to the Company. Such indemnification shall be provided in a manner and to an extent that is not less favorable to the Executive as the indemnification protection that is afforded by the Company to any other officer of comparable title and that is consistent with industry custom and standards.

7. Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of Executive's separation from service within the meaning of Section 409A of the Code, the Company determines that Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive's separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Executive's separation from service, or (B) Executive's death. It is the intention of the parties that none of the payments provided herein be considered deferred compensation subject to such tax.

(b) To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Section 409A of the Code, and to the extent that such payment or benefit is payable upon Executive's termination of employment, then such payments or benefits shall be payable only upon the Executive's "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

(c) The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party.

(d) The Company makes no representation or warranty and shall have no liability to the Executive or any other person if any provisions of this Agreement are determined to constitute deferred compensation subject to Section 409A of the Code but do not satisfy an exemption from, or the conditions of such Section.

8. Miscellaneous.

(a) No Funding. Nothing contained in this Agreement or otherwise shall require the Company to segregate, earmark or otherwise set aside any funds or other assets to provide for any payments required to be made under this Agreement, and the rights of Executive to any benefits hereunder shall be solely those of a general, unsecured creditor of the Company.

(b) Beneficiaries. In the event of Executive's death, any amount or benefit payable or distributable to Executive pursuant to this Agreement shall be paid to the beneficiary designated by Executive for such purpose in the last written instrument received by the Company prior to Executive's death, if any, or, if no beneficiary has been designated, to Executive's estate, but such designation shall not be deemed to supersede any beneficiary designation under any benefit plan of the Company.

(c) Entire Agreement. This Agreement contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations, written or oral, relating to the subject matter hereof. Executive acknowledges that he is not a party to any employment agreement, equity award agreement or compensation plan other than as specifically referenced in this Agreement and that he is not entitled to any compensation or other payments other than as specifically referenced herein.

(d) Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which taken together shall constitute one and the same agreement, and any party hereto may execute this Agreement by signing any such counterpart.

(e) Severability. Whenever possible, each provision of this Agreement shall be interpreted in such a manner as to be effective and valid under applicable law but if any provision of this Agreement is held to be invalid, illegal or unenforceable under any applicable law or rule, the validity, legality and enforceability of the other provision of this Agreement will not be affected or impaired thereby.

(f) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the patiies hereto and their respective heirs, personal representatives and, to the extent pem1itted by Section 7(g), successors and assigns. The Company will require its successors to expressly assume its obligations under this Agreement.

(g) Assignability. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable (including by operation of law) by either party without the prior written consent of the other party to this Agreement.

(h) Modification, Amendment, Waiver or Termination. No provision of this Agreement may be modified, amended, waived or terminated except by an instrument in writing signed by the parties to this Agreement. No course of dealing between the parties will modify, amend, waive or terminate any provision of this Agreement or any rights or obligations of any party under or by reason of this Agreement. No delay on the part of the Company in exercising any right hereunder shall operate as a waiver of such right. No waiver, express or implied, by the Company of any right or any breach by Executive shall constitute a waiver of any other right or breach by Executive.

(i) Notices. All notices, consents, requests, instructions, approvals or other communications provided for herein shall be in writing and delivered by personal delivery, overnight courier, mail, electronic facsimile or e-mail addressed to the receiving party at the address set forth herein. All such communications shall be effective when received.

Address for the Executive:

[ADDRESS]
[E-MAIL ADDRESS]

Address for the Company:

Enzon Pharmaceuticals, Inc.
Attn: Jonathan Christodoro
[E-MAIL ADDRESS]

Any party may change the address set forth above by notice to each other party given as provided herein.

(j) Headings. The headings contained in this Agreement are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(k) Governing Law. ALL MATTERS RELATING TO THE INTERPRETATION, CONSTRUCTION, VALIDITY AND ENFORCEMENT OF THIS AGREEMENT SHALL BE FILED IN THE STATE OF NEW YORK, COUNTY OF NEW YORK GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW PROVISIONS THEREOF.

(l) Third-Party Benefit. Nothing in this Agreement, express or implied, is intended to confer upon any third party any rights, remedies, obligations or liabilities of any nature whatsoever.

(m) Withholding Taxes. The Company may withhold from any benefits payable under this Agreement or any other agreement all federal, state, city or other taxes as shall be required pursuant to any law or governmental regulation or ruling.

(n) No Right to Continued Employment. Executive understands that this Agreement is not an employment contract and nothing contained herein creates any right to continuous employment with the Company, or to employment by the Company for any specified period of time.

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

ENZON PHARMACEUTICALS, INC.

/s/ Richard L. Feinstein
By: Richard L. Feinstein

/s/ George W. Hebard III
George W. Hebard III

Exhibit 10.30

INDEPENDENT CONTRACTOR AGREEMENT

This Independent Contractor Agreement (the "**Agreement**") is effective as of December 13, 2013 (the "**Effective Date**") by and between Richard L. Feinstein, CPA (" **Feinstein**") and Enzon Pharmaceuticals, Inc.("**Enzon**"), pursuant to which Feinstein is being engaged to serve as Enzon's Principal Financial Officer.

RECITALS

WHEREAS: Enzon desires to retain the services of Feinstein, and Feinstein desires to provide such services to Enzon, subject to the terms and conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Feinstein's Position and Duties; Term**.

A. Feinstein is hereby engaged by Enzon as an independent contractor to serve as the Principal Financial Officer of Enzon, with a title of Vice President – Finance and Principal Financial Officer. Feinstein's services and responsibilities (the " **Services**") shall be commensurate with the customary services and responsibilities of a chief financial officer for a publicly listed company engaged in providing financial services similar to the business operations of Enzon and its subsidiaries. Without derogating from the foregoing, Feinstein will work at the request of Enzon as and when requested by Enzon.

B. The term of this Agreement (the "**Term**") shall commence on the Effective Date and continue until terminated by either party with or without cause upon receipt of written notice.

2. **Independent Contractor Relationship**.

A. The relationship between Enzon and Feinstein shall be that of independent contracting parties and shall not be deemed to be any other relationship, including, without limitation, that of principal and agent. Nothing herein shall be construed to create the relationship of employer and employee between Enzon and Feinstein. Feinstein shall exercise his own independent judgment as to the method and manner of performance of the Services hereunder. Enzon does not seek, and shall not expect, any control over Feinstein's performance of the Services; provided, however, Feinstein shall conform to such policies and procedures established by Enzon and to such customary standards which are necessary to satisfy applicable statutes, rules or regulations governing the provision of such Services. Enzon shall not be obligated to provide any employee-related benefit to Feinstein, including, but not limited to, Workers Compensation insurance, unemployment insurance, disability insurance, health or accident insurance, nor will Enzon make any contributions for Social Security, or withholding taxes on behalf of Enzon. Feinstein acknowledges that Enzon will not provide any benefits or participation in any benefit plan applicable to an employer-employee relationship. Feinstein shall be solely responsible for the payment of all applicable governmental taxes, including federal, state and local taxes, and Social Security contributions.

B. Feinstein is free to devote whatever time he chooses to any other business in which he may choose to engage, provided he complies with all applicable regulatory rules. Feinstein may determine his own hours of work and may perform the Services in any manner or sequence he determines, subject, however, to such restrictions as may exist in order to comply with the policies of Enzon or to satisfy the requirements or standards of the statutes, rules or regulations governing the Services.

C. Feinstein has not received any training from Enzon, and Enzon will not provide any training to Feinstein.

D. Feinstein shall not have the authority to hire, direct and pay other persons in connection with the Services without the prior written consent of Enzon. Any person so employed by Feinstein shall be the employee of Feinstein and shall not be the employee or agent of Enzon.

3. **Compliance With Statutes, Rules And Regulations**.

As part of the proper performance of the Services, at all times during the Term, Feinstein shall comply with all applicable statutes, regulations, rules and written statements of policy promulgated and administered by the Securities and Exchange Commission and any state or municipal governmental or regulatory agency; and the rules of any national securities exchange or association in which Enzon is or may become a member.

4. **Compensation**.

A. Feinstein shall be paid at the rate of $225 per hour for each hour worked by Feinstein in connection with the Services, limited to a maximum of $1,350 per day, unless any additional hourly charges for a particular day have been approved in advance by Enzon. Feinstein shall perform the Services at such times and as requested by Enzon.

B. In addition to the hourly compensation referred to in Section 4(A) above, Enzon will reimburse Feinstein for reasonable out-of-pocket expenses incurred by Feinstein in connection with the performance of the Services, including: (i) mileage at the rate of fifty (50) cents per mile for any driving that may be required in connection with Feinstein's performance of the Services; (ii) tolls; (iii) supplies; and (iv) other reasonable expenses incurred by Feinstein in connection with the performance of the Services.

C. Feinstein will submit a detailed bill to Enzon for all time worked and expenses incurred during each two (2) week period, together with receipts or documentation of expenses, during the Term, and Enzon will pay each such proper bill within twelve (12) business days of its receipt.

5. **Warranties.**

A. Each party warrants to the other that it has the authority to enter into and perform this agreement, and its performance hereunder will not result in the breach or violation of any contract, arrangement or understanding it may have with any third party. Each party warrants to the other that it will comply in all material respects with all applicable laws, rules and regulations.

B. Consultant shall perform the services in accordance with the highest professional standards and in compliance with all applicable laws and regulations.

6. **Indemnification.** Feinstein shall be entitled to the same indemnification rights from Enzon under the bylaws of Enzon as are applicable to all other officers of Enzon and covered by the same Directors and Officers Insurance as all other officers and directors of Enzon.

7. **Confidentiality**. Each of the parties to this Agreement agrees to maintain in strict confidence the terms of this Agreement. Feinstein acknowledges and agrees that during the Term, he will have access to "**Confidential Information**" concerning Enzon, its affiliates, and their clients and employees, and that such Confidential Information constitutes a valuable and unique asset of Enzon. For purposes of this Agreement, Confidential Information includes, but is not limited to, proprietary information pertaining to Enzon, its affiliates and clients, including business plans (both current and under development), data, trade secrets, financial information, costs, revenues, profits, methodologies, information concerning clients and potential clients, compilations, systems, technologies, computer programs, and all other information which Enzon and its clients treat as confidential. All Confidential Information obtained by Feinstein in the course of providing the Services shall be deemed confidential and proprietary. Feinstein covenants and agrees that, during the Term and at all times thereafter, Feinstein will not, except as may be required by applicable law, regulation, legal process, or the request of any regulatory or self-regulatory authority, (i) for any reason use for Feinstein's own benefit or the benefit of any person or entity with which Feinstein may be associated, or disclose any Confidential Information to any person or entity, for any reason or purpose, without the prior written consent of Enzon; or (ii) remove or cause to be removed from Enzon's office any Confidential Information or material relating thereto for purposes other than those for use in connection with Feinstein's Services. Upon the expiration of the Term (including any renewal thereof), Feinstein agrees to return to Enzon all tangible embodiments of all Confidential Information in Feinstein's possession or control, nor will Feinstein retain any copy or records of such Confidential Information, in hard copy or electronic form.

8. **Miscellaneous**.

A. This Agreement shall in all respects be governed by, and construed and enforced in accordance with the laws of the State of New Jersey, without giving effect to its conflicts of laws provisions.

B. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their permitted successors and assigns. This Agreement may not be assigned by Feinstein without the prior written consent of Enzon.

C. The terms of this Agreement cannot be modified, altered or changed, except in a writing signed by both parties.

D. Any notice, request or instruction to be given under this Agreement by one party to the other party shall be in writing and delivered personally, with receipt thereof acknowledged, or sent by registered or certified mail, postage prepaid, to the following addresses, as applicable:

If to Enzon:	20 Kingsbridge Rd Piscataway, NJ 08873 Attn: Principal Executive Officer With a copy to: General Counsel
If to Feinstein:	Richard L. Feinstein, CPA [ADDRESS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of December 13, 2013.

Enzon Pharmaceuticals, Inc.

Dated: December 13, 2013

By: /s/ George W. Hebard III
George W. Hebard III
Interim Principal Executive Officer

Dated: 12/13/2013

/s/ Richard L. Feinstein
Richard L. Feinstein, CPA

EXHIBIT 21.1

ENZON PHARMACEUTICALS, INC.

Subsidiaries of Registrant

Subsidiary	State or Other Jurisdiction of Incorporation
SCA Ventures, Inc.	Delaware

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Enzon Pharmaceuticals, Inc.:

We consent to the incorporation by reference in the Registration Statements of Enzon Pharmaceuticals, Inc. and Subsidiaries on Form S-3 (Nos. 333-137723, and Form S-8 (Nos. 333-174099, 333- 140282, 333-134453, 333-132467, 333-121468, 333-101898, 333-64110, 333-18051) of our reports dated March 14, 2014 on our audits of the consolidated financial statements as of December 31, 2013 and for the year ended December 31, 2013, and the effectiveness of Enzon Pharmaceuticals, Inc. and Subsidiaries internal control over financial reporting as of December 31, 2013, which reports are included in this Annual Report on Form 10-K.

/s/ EISNERAMPER LLP

Iselin, New Jersey
March 14, 2014

EXHIBIT 23.2

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Enzon Pharmaceuticals, Inc.:

We consent to the incorporation by reference in the registration statement (Nos. 333-174099, 333- 140282, 333-134453, 333-132467, 333-121468, 333-101898, 333-64110 and 333-18051) on Form S-8 and in the registration statement (No. 333-137723) on Form S-3 of Enzon Pharmaceuticals, Inc. of our report dated March 18, 2013, with respect to the consolidated balance sheet of Enzon Pharmaceuticals, Inc. and subsidiaries as of December 31, 2012, and the related consolidated statements of comprehensive income (loss), stockholders' equity and cash flows for each of the years in the two-year period ended December 31, 2012, which report appears in the December 31, 2013 Annual Report on Form 10-K of Enzon Pharmaceuticals, Inc.

Our report dated March 18, 2013 on the consolidated financial statements contains an explanatory paragraph that states that in December, 2012, the Company announced that its Board of Directors has retained a financial advisor to assist in reviewing the possible sale or disposition of one or more corporate assets or a sale of the Company and established a special committee to oversee the Company's sale review process. In connection with the sale review process, the Company has announced plans to suspend all clinical development activities.

/s/ KPMG LLP

Short Hills, New Jersey
March 14, 2014

EXHIBIT 31.1

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, George W. Hebard III, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2013 of Enzon Pharmaceuticals, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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.

March 14, 2014

/s/ George W. Hebard III

George W. Hebard III
Interim Principal Executive Officer and Interim
Chief Operating Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION PURSUANT TO
SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002

I, Richard L. Feinstein, certify that:

1. I have reviewed this Annual Report on Form 10-K for the fiscal year ended December 31, 2013 of Enzon Pharmaceuticals, 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (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.

March 14, 2014

/s/ Richard L. Feinstein

Richard L. Feinstein
Vice President - Finance and
Principal Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

EXHIBIT 32.1

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

In connection with the Annual Report of Enzon Pharmaceuticals, Inc. (the Company) on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, George W. Hebard III, Interim Principal Executive Officer and Interim Chief Operating Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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.

March 14, 2014

/s/ George W. Hebard III
George W. Hebard III
Interim Principal Executive Officer and Interim
Chief Operating Officer
(Principal Executive Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Enzon Pharmaceuticals, Inc. and will be furnished to the Securities Exchange Commission or its staff upon request.

EXHIBIT 32.2

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

In connection with the Annual Report of Enzon Pharmaceuticals, Inc. (the Company) on Form 10-K for the year ended December 31, 2013 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Richard L. Feinstein, Vice President-Finance and Principal Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

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.

March 14, 2014

/s/ Richard L. Feinstein
Richard L. Feinstein
Vice President - Finance and
Principal Financial Officer
(Principal Financial Officer and
Principal Accounting Officer)

A signed original of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to Enzon Pharmaceuticals, Inc. and will be furnished to the Securities Exchange Commission or its staff upon request.