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

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2005
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.)
685 Route 202/206, Bridgewater, New Jersey	08807
(Address of principal executive offices)	(Zip Code)

(908) 541-8600
(Registrant's telephone number, including area code)

Not Applicable
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes X No
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No X
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As of November 1, 2005 there were 44,354,757 shares of Common Stock, par value $.01 per share, outstanding.

PART I FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	SEPTEMBER 30, 2005	JUNE 30, 2005
		(*)

ASSETS		
Current assets:		
Cash and cash equivalents	$ 26,590	$ 55,553
Short-term investments	126,777	103,194
Investment in equity securities	--	4,256
Accounts receivable, net	28,235	25,638
Inventories	16,021	15,679
Other current assets	5,283	7,733
Total current assets	202,906	212,053
Other assets:		
Property and equipment, net	33,020	33,214
Marketable securities	75,321	66,384
Investments in equity securities	6,375	6,375
Amortizable intangible assets, net	171,675	176,142
Goodwill	150,985	150,985
Other assets	5,255	5,708
	442,631	438,808
Total assets	$ 645,537	$ 650,861
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,558	$ 9,874
Accrued expenses	26,131	26,874
Deferred tax liability	1,200	1,106
Total current liabilities	33,889	37,854
Other liabilities	406	645
Deferred tax liability	10,793	9,860
Notes payable	399,000	399,000
	410,199	409,505
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $.01 par value, authorized 3,000,000 shares; zero shares issued and outstanding at September 30, 2005 and at June 30, 2005	--	--
Common stock - $.01 par value, authorized 90,000,000 shares; issued and outstanding 44,349,757 shares at September 30, 2005 and 44,236,202 shares at June 30, 2005	443	442
Additional paid-in capital	320,559	325,821
Accumulated other comprehensive loss	(1,249)	(4,527)
Deferred compensation	--	(5,696)
Accumulated deficit	(118,304)	(112,538)
Total stockholders' equity	201,449	203,502
Total liabilities and stockholders' equity	$ 645,537	$ 650,861

(*) Condensed from audited consolidated financial statements.

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Revenues:		
Product sales, net	$ 25,176	$ 27,527
Manufacturing revenue	3,393	2,513
Royalties	15,209	10,115
Contract revenue	269	299
Total revenues	44,047	40,454

Costs and expenses:		
Cost of sales and manufacturing revenue	11,964	10,901
Research and development	5,319	9,974
Selling, general and administrative	11,697	12,199
Amortization of acquired intangible assets	3,348	3,358
Acquired in-process research and development	10,000	--
Total costs and expenses	42,328	36,432
Operating income	1,719	4,022
Other income (expense):		
Investment income, net	1,632	770
Interest expense	(4,946)	(4,957)
Other, net	(3,059)	(1,411)
	(6,373)	(5,598)
Loss before tax provision	(4,654)	(1,576)
Income tax provision (benefit)	1,112	(637)
Net loss	($5,766)	($939)
Basic loss per common share	($0.13)	($0.02)
Diluted loss per common share	($0.13)	($0.02)
Weighted average number of common shares outstanding - basic	43,486	43,470
Weighted average number of common shares and potentially dilutive common shares outstanding	43,486	43,470

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Cash flows from operating activities:		
Net loss	($5,766)	($939)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	5,726	5,652
Non-cash expense for issuance of common stock	435	166
Gain on sale of equity investment	--	(163)
Non-cash loss relating to equity collar arrangement and sale of NPS common stock	3,460	1,321
Acquired in-process research and development	10,000	--
Amortization of debt issue costs	457	457
Amortization of bond premium/discount	214	737
Deferred income taxes	1,027	(335)
Changes in operating assets and liabilities	(17,955)	(10,728)

Net cash used in by operating activities	(2,402)	(3,832)
Cash flows from investing activities:		
Purchase of property and equipment	(1,065)	(783)
Proceeds from sale of marketable securities	18,706	7,830
Purchase of marketable securities	(117,625)	(34,330)
Maturities of marketable securities	73,423	4,000
Net cash used in investing activities	(26,561)	(23,283)
Cash flows from financing activities:		
Proceeds from issuance of common stock	--	138
Net cash provided by financing activities	--	138
Net decrease in cash and cash equivalents	(28,963)	(26,977)
Cash and cash equivalents at beginning of period	55,553	91,532
Cash and cash equivalents at end of period	$ 26,590	$ 64,555

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

ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) ORGANIZATION AND BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements have been prepared from the books and records of Enzon Pharmaceuticals, Inc. ("Enzon" or the "Company") and its subsidiaries in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information pursuant to Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required for complete annual financial statements. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year balances have been reclassified to conform to the current period presentation. Interim results are not necessarily indicative of the results that may be expected for the six-month transition period (see below). The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's annual report on Form 10-K for the fiscal year ended June 30, 2005. Effective December 31, 2005, the Company will change its fiscal year end from June 30 to December 31. Accordingly, Enzon will file a report on Form 10-K covering the six-month transition period ending December 31, 2005.

(2) STOCK-BASED COMPENSATION

The Company has incentive and non-qualified stock option plans for employees, officers, directors, consultants and independent contractors. These plans, the 2001 Incentive Stock Plan and the 1987 Non-Qualified Stock Option Plan, are administered by the Compensation Committee of the Board of Directors. 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% 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 date they are granted. In April and June 2005, the Board of Directors accelerated the vesting of all of the Company's unvested

stock options awarded to directors, officers and employees with exercise prices greater than the market value of the Company's common stock on the effective date of the accelerations. The accelerations resulted in the Company not being required to recognize aggregate compensation expense under the new accounting for share-based payments described below of approximately $2.5 million during the three months ended September 30, 2005.

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "Share-Based Payment" ("SFAS 123R"), which replaces "Accounting for Stock-Based Compensation," ("SFAS 123") and supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees." SFAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values beginning with the first annual reporting period that begins after June 15, 2005. Under SFAS 123R, the pro forma disclosures previously permitted under SFAS 123 are no longer an alternative to financial statement recognition.

The Company has adopted the new standard effective July 1, 2005 and has selected the Black-Scholes method of valuation for share-based compensation. The Company has adopted the modified prospective transition method which requires that compensation cost be recorded, as earned, for all unvested stock options and restricted stock outstanding at the beginning of the first quarter of adoption of SFAS 123R. The charge is being distributed and recognized in research and development and selling, general and administrative expenses over the remaining service period after the adoption date based on the options' original estimate of fair value.

The following table summarizes option activity for the three months ended September 30, 2005:

	Options (in thousands)	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in thousands)
Outstanding at June 30, 2005	5,622	$16.63		
Granted at exercise prices which equaled the fair market value on the date of grant	424	7.25		
Exercised	--	--		$ --
Forfeited	(39)	27.39		
Outstanding at September 30, 2005	6,007	$15.90	8.03	$ 699
Exercisable at September 30, 2005	5,528	$16.65	7.88	$ 687

For grants during the three months ended September 30, 2005, the Company's weighted average assumptions for expected volatility, dividends, expected term until exercise, and risk-free interest rate were 57%, 0%, 5.18 years and 3.88%, respectively. 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 rate and forfeiture rates are estimated based on employment termination experience, each determined separately for certain employee groups. The risk-free 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. In the three months ended September 30, 2005, the Company recorded share-based compensation for restricted stock and options of $0.4 million which is included in the Company's net loss for the period. No compensation costs were capitalized into inventory during the period. The Company did not record a tax benefit related to share-based compensation expense. As of September 30, 2005, there was $1.8 million of total unrecognized compensation cost related to unvested options, that the Company expects to recognize over a weighted-average period of 45

months. The Company granted options with fair values ranging from $3.14 to $3.52 per option or a weighted average of $3.21 per option. The amount of restricted stock outstanding at September 30, 2005 was 0.7 million shares. The Company utilizes newly issued shares to satisfy the exercise of stock options.

Prior to the adoption of SFAS 123R, the Company applied the intrinsic-value-based method of accounting prescribed by APB 25, "Accounting for Stock Issued to Employees", and related interpretations, to account for its stock options granted to employees. Under this method, compensation cost was recorded only if the market price of the underlying common stock on the date of grant exceeded the exercise price. SFAS 123, "Accounting for Stock-Based Compensation", established accounting and disclosure requirements using a fair-value-based method of accounting for stock-based employee compensation plans. As permitted by SFAS 123, the Company elected to continue to apply the intrinsic-value-based method of accounting described above, and adopted only the disclosure requirements of SFAS 123, as amended, which were similar in most respects to SFAS 123R, with the exception of option forfeitures, which the Company accounted for as they occurred.

The following table illustrates the pro forma effect on the Company's net loss and net loss per share as if the Company had adopted the fair-value-based method of accounting for stock-based compensation under SFAS 123 for the three months ended September 30, 2004 (in thousands, except per share amounts):

	Three months ended September 30, 2004
Net loss, as reported	($939)
Add stock-based employee compensation expense included in reported net loss, net of tax (1)	100
Deduct total stock-based employee compensation expense determined under fair-value-based method for all awards, net of tax (1)	(3,180)
Pro forma net loss	($4,019)
Loss per common share - basic:	
As reported	($0.02)
Pro forma	($0.09)
Loss per common share - diluted:	
As reported	($0.02)
Pro forma	($0.09)

(1) Information for 2004 has been adjusted for taxes using an estimated tax rate of 40%.

The fair value for each stock option granted was estimated at the date of grant using a Black-Scholes option-pricing model, assuming no dividends and the following assumptions. For grants during the three months ended September 30, 2004, the Company's weighted average assumptions for expected volatility, dividends, expected life, and risk-free interest rate were 39%, 0%, 4.76 years and 3.38%, respectively.

Expected volatility is based on historical volatility of our common stock; the expected life represents the weighted average period of time that options granted are expected to be outstanding giving consideration to vesting schedules and our historical exercise patterns; and the risk-free 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.

(3) SHORT-TERM INVESTMENTS AND MARKETABLE SECURITIES

The Company classifies its investments in marketable equity securities and debt securities, including auction rate securities, as available-for-sale. The Company classifies those investments available for current operations with maturities of one year or less as current assets and investments with maturities greater than one year as noncurrent assets when it has the intent and ability to hold such securities for at least one year. Debt and marketable equity securities are carried at fair value, with the unrealized gains and losses (which are deemed to be temporary), net of related tax effect, included in the determination of other comprehensive income (loss) and reported in stockholders' equity. The fair values of substantially all securities are determined by quoted market prices.

The Company holds auction rate securities for which interest or dividend rates are generally reset for periods of up to 90 days. The auction rate securities outstanding at September 30, 2005 were investments in state government bonds and corporate securities. At September 30, 2005, the Company held auction rate securities with contractual maturities between 2005 and 2009.

The cost of the debt securities is adjusted for amortization of premiums and accretion of discounts to maturity. The amortization, along with realized gains and losses, is included in investment income, net. The cost of securities is based on the specific identification method.

Investments are considered impaired when a decline in fair value is determined to be other-than-temporary. The Company employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments in accordance with Emerging Issues Task Force Issue No. 03-1, "The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments" ("EITF 03-1"). In the event that the cost of an investment exceeds its fair value, the Company evaluates, among other factors, the duration and extent to which the fair value is less than cost; the financial health of and business outlook for the investment or investee; and the Company's intent and ability to hold the investment. The Company has determined that there were no other-than-temporary declines in the fair values of its short-term investments and marketable securities as of September 30, 2005 or June 30, 2005.

The following table shows the gross unrealized losses and fair value of the Company's available-for-sale securities (both short-term and long-term) aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at September 30, 2005 (in thousands):

	Less than 12 months		12 Months or Greater	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government agency debt(1)	$27,711	($148)	$28,515	($571)
U.S. Corporate debt(2)	38,147	(274)	28,554	(311)
Auction rate securities(3)	24,821	(4)	--	--
Total	$90,679	($426)	$57,069	($882)

(1) U.S. GOVERNMENT AGENCY DEBT. The unrealized losses of $0.7 million in the U.S. Government agencies and Federal agency mortgage-backed securities were attributable to increases in interest rates. These holdings do not permit the issuer to settle the securities at a price less than the amortized cost. Further, because the declines in market value are due to increases in interest rates and not the credit quality of the issuer, and the Company has the ability

and the intent to hold these investments until a recovery of fair value, the Company does not consider its investments in U.S. Government agency debt to be other-than-temporarily impaired at September 30, 2005.

(2) U.S. CORPORATE DEBT. The unrealized losses of $0.6 million on the U.S. corporate debt were attributable to increases in interest rates, as well as bond pricing. The Company invests in bonds that are rated A1 or better, as dictated by its approved investment policy. Since the changes in the market value of these investments are due to changes in interest rates and not the credit quality of the issuer, and the Company has the ability and intent to hold these investments until recovery of the fair value, the Company does not consider its investments in U.S. corporate debt to be other-than-temporarily impaired at September 30, 2005.

(3) AUCTION RATE SECURITIES. The unrealized loss on the auction rate securities was attributable to increases in interest rates. The Company has the ability and intent to hold these investments until recovery of the fair value; therefore, it does not consider its investments in auction rate securities to be other-than-temporarily impaired at September 30, 2005.

The amortized cost, gross unrealized holding gains or losses, and fair value for the Company's available-for-sale securities by major security type at September 30, 2005 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holdings Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government agency debt	$106,750	$ 17	($719)	$106,048
U.S. Corporate debt	71,812	2	(585)	71,229
Auction rate securities	24,825	--	(4)	24,821
Total	$203,387	$ 19	($1,308)	$202,098

* $126.8 million included in short-term investments and $75.3 million included in marketable securities at September 30, 2005.

The amortized cost, gross unrealized holding gains or losses, and fair value for securities available-for-sale by major security type at June 30, 2005 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holdings Gains	Gross Unrealized Holding Losses	Fair Value*
U.S. Government agency debt	$ 98,417	$ --	($536)	$ 97,881
U.S. Corporate debt	62,182	--	(510)	61,672
Auction rate securities	10,025	--	--	10,025
Total	$170,624	$ --	($1,046)	$169,578

* $103.2 million included in short-term investments and $66.4 million included in marketable securities at June 30, 2005.

Maturities of debt and marketable equity securities classified as

available-for-sale at September 30, 2005 were as follows (in thousands):

September 30,	Amortized Cost	Fair Value
2006	$127,217	$126,777
2007	40,284	39,780
2008	12,061	11,716
2009	4,000	4,000
2010	19,825	19,825
	$203,387	$202,098

(4) INVESTMENTS IN EQUITY SECURITIES

At September 30, 2005 the Company's investments in equity securities include mainly investments in Nektar Therapeutics ("Nektar") and Micromet AG ("Micromet"). At June 30, 2005, the Company's investment in equity securities also included an investment in NPS Pharmaceuticals, Inc. ("NPS") common stock. The Company's investment in Nektar is in the form of preferred stock that is convertible into common stock and its investment in Micromet is in the form of a note that is convertible into common stock. The Company's investments in Nektar and Micromet are both cost method investments. As of September 30, 2005 and June 30, 2005, the Company's investments in Nektar and Micromet had an aggregate book value of $6.4 million and $6.4 million, respectively. The Company's investment in NPS common stock is recorded at its fair value and unrealized gains or losses are reflected in accumulated other comprehensive income. During August 2005, the Company sold its remaining investment in NPS common stock, which resulted in the recognition of a $4.3 million loss as a component of other income (expense) in the statement of operations and cash proceeds of $3.5 million. See note 13.

(5) COMPREHENSIVE INCOME

SFAS No. 130, "Reporting Comprehensive Income", requires unrealized gains and losses on the Company's available-for-sale securities to be included in other comprehensive income.

The following table reconciles net loss to comprehensive (loss) income (in thousands):

	THREE MONTHS ENDED SEPTEMBER 30,	
	2005	2004
Net loss	($5,766)	($939)
Other comprehensive income:		
Unrealized (loss) gain on securities that arose during the period, net of tax (1)	(243)	1,697
Reclassification adjustment for loss included in net income, net of tax (1)	3,521	304
Total other comprehensive income	3,278	2,001
Comprehensive (loss) income	($2,488)	$ 1,062

(1) Information for 2004 has been adjusted for taxes using an estimated tax rate of 40%.

(6) EARNINGS PER COMMON SHARE

Basic earnings per share is computed by dividing the net loss by the weighted average number of shares of common stock issued and outstanding during the periods. For purposes of calculating diluted earnings per share for the three months ended September 30, 2005 and 2004, the denominator includes both the weighted average number of shares of common stock outstanding and the number of potentially dilutive common stock equivalents if the inclusion of such common stock equivalents is not anti-dilutive. As of September 30, 2005 and 2004, the Company had 12.2 million and 9.5 million, respectively, of potentially dilutive common stock equivalents that are excluded from the dilutive earnings per share calculations, as the effect of their inclusion would be anti-dilutive.

(7) INVENTORIES

Inventories, net of reserves consisted of the following (in thousands):

	SEPTEMBER 30, 2005	JUNE 30, 2005
Raw materials	$ 6,553	$ 6,406
Work in process	4,407	1,349
Finished goods	5,061	7,924
	$16,021	$15,679

(8) INTANGIBLE ASSETS

Intangible assets consisted of the following (in thousands):

	SEPTEMBER 30, 2005	JUNE 30, 2005	ESTIMATED USEFUL LIVES
Product patented technology	$ 64,400	$ 64,400	12 years
Manufacturing patent	18,300	18,300	12 years
NDA approval	31,100	31,100	12 years
Trade name and other product rights	80,000	80,000	15 years
Manufacturing contract	2,200	2,200	3 years
Patent	1,906	1,906	1-2 years
Product acquisition costs	26,194	26,194	10-14 years
	224,100	224,100	
Less: Accumulated amortization	52,425	47,958	
	$171,675	$176,142	

Amortization charged to operations relating to intangible assets totaled $4.5 million, including $1.1 million which is classified in cost of sales and manufacturing revenue for each of the three-month periods ended September 30, 2005 and 2004. Amortization expense for these intangibles and certain other product acquisition costs for the next five fiscal years is expected to be approximately $17.0 million per year. The Company does not have intangible assets with indefinite useful lives.

(9) PROPERTY AND EQUIPMENT

Property and equipment consisted of the following (in thousands):

	SEPTEMBER 30,	JUNE 30,	ESTIMATED

	2005	2005	USEFUL LIVES
Land	$ 1,500	$ 1,500	
Building	4,800	4,800	7 years
Leasehold improvements	17,924	17,822	3-15 years
Equipment	27,135	26,215	3-7 years
Furniture and fixtures	2,780	2,737	7 years
Vehicles	38	38	3 years
	54,177	53,112	
Less: Accumulated depreciation	21,157	19,898	
	$33,020	$33,214	

Depreciation charged to operations relating to property and equipment totaled $1.3 million and $1.1 million for the periods ended September 30, 2005 and 2004, respectively.

(10) CASH FLOW INFORMATION

The Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. Cash payments for interest were approximately $9.0 million for the three months ended September 30, 2005 and September 30, 2004. Income tax payments for the three months ended September 30, 2005 and 2004 were $0.05 million and $0.3 million, respectively.

(11) INCOME TAXES

The Company recognized a tax expense for the three months ended September 30, 2005 due to the deferred tax liability recorded for goodwill. As of September 30, 2005, the Company has provided a valuation allowance against its net deferred tax assets since the Company believes it is not more likely than not that its deferred tax assets will be realized.

During the three months ended September 30, 2004, the Company recorded a net tax benefit of approximately $0.6 million. The tax benefit recognized for the three months ended September 30, 2004 was calculated using an estimated annual effective tax rate of 40%, based on the projected income tax benefit and taxable loss for the fiscal year ended June 30, 2005.

(12) BUSINESS SEGMENTS

A single management team that reports to the Chief Executive Officer comprehensively manages the Company's business operations. The Company does not operate separate lines of business or separate business entities with respect to any of its approved products or product candidates. In addition, the Company does not conduct any operations outside of the United States and Canada. The Company has not historically prepared discrete financial statements with respect to separate product areas. Accordingly, the Company does not have separately reportable segments.

(13) DERIVATIVE INSTRUMENTS

On February 19, 2003, the Company entered into an agreement and plan of merger with NPS. On June 4, 2003, the merger agreement was terminated. In accordance with the mutual termination agreement between the two companies, the Company received 1.5 million shares of NPS common stock.

In August 2003, the Company entered into a Zero Cost Protective Collar (the "Collar") arrangement with a financial institution to reduce its exposure to changes in the share price associated with the 1.5 million shares of common stock of NPS received as part of the merger termination agreement with NPS. The Collar matured in four separate three-month intervals from November 2004 through August 2005, at which time the Company received proceeds from the sale of the securities. The amount received at each maturity date was determined based on

the market value of NPS' common stock on such maturity date, as well as the value of the Collar. From August 2003 to November 2003, the Collar was designated a derivative hedging instrument in accordance with SFAS 133; in November 2003, hedge accounting was terminated. The Company carried the derivative as an asset or a liability at fair value. The change in fair value was recorded in other income in the condensed consolidated statements of operations. During each of the quarters ended September 30, 2005 and 2004, the Company sold 375,000 shares of NPS common stock it held and 375,000 shares of the Collar instrument matured. This resulted in the recognition of a loss of $3.5 million and $1.3 million as a component of other income (expense) for the quarters ended September 30, 2005 and 2004, respectively. The Company received cash proceeds from the settlement of this instrument totaling $7.5 million in each of the quarters ended September 30, 2005 and 2004. At September 30, 2005, the Company no longer holds any shares of NPS nor does it hold any portion of the Collar.

(14) RECENT ACCOUNTING PRONOUNCEMENTS

In May 2005, the FASB issued SFAS No. 154, "Accounting Changes and Error Corrections", which replaced APB Opinion No. 20, Accounting Changes, and SFAS No. 3, "Reporting Accounting Changes in Interim Financial Statements". Statement 154 changes the requirements for the accounting and reporting of a change in accounting principle. APB Opinion No. 20 previously required that most voluntary changes in an accounting principle be recognized by including the cumulative effect of the new accounting principle in net income of the period of the change. SFAS No. 154 now requires retrospective application of changes in an accounting principle to prior period financial statements, unless it is impracticable to determine either the period-specific effects or the cumulative effect of the change. The Statement is effective for fiscal years beginning after December 15, 2005. The Company does not expect the adoption of this statement will have a material impact on its consolidated results of operations and financial condition.

In December 2004, the FASB issued SFAS No. 153, "Exchanges of Nonmonetary Assets--An Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions". SFAS 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29, "Accounting for Nonmonetary Transactions," and replaces it with an exception for exchanges that do not have commercial substance. SFAS 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS 153 is effective for the fiscal periods beginning after June 15, 2005 and was adopted by the Company on July 1, 2005. The adoption of SFAS 153 had no impact on its consolidated results of operations and financial condition.

In November 2004, the FASB issued SFAS No. 151, "Inventory Costs--An Amendment of ARB No. 43, Chapter 4". SFAS 151 amends the guidance in ARB No. 43, Chapter 4, "Inventory Pricing," to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs, and wasted material (spoilage). Among other provisions, the new rule requires that items such as idle facility expense, excessive spoilage, double freight, and rehandling costs be recognized as current-period charges regardless of whether they meet the criterion of "so abnormal" as stated in ARB No. 43. Additionally, SFAS 151 requires that the allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. SFAS 151 is effective for fiscal years beginning after June 15, 2005. On July 1, 2005 the Company adopted SFAS 151 and its adoption had no impact on its consolidated results of operations and financial condition.

In response to the enactment of the American Job Creation Act of 2004 on October 22, 2004 the FASB issued FASB Staff Position (FSP) 109-1, "Application of FASB Statement No. 109, Accounting for Income Taxes, for the Tax Deduction Provided to U.S. Based Manufacturers by the American Job Creation Act of 2004". FSP No. 109-1 clarifies how to apply SFAS No. 109 to the new law's tax deduction for income attributable to "domestic production activities." The fully phased-in deduction is up to nine percent of the lesser of taxable income or

"qualified production activities income." The staff position requires that the deduction be accounted for as a special deduction in the period earned, not as a tax-rate reduction. As a result, the Company will recognize a reduction in its provision for income taxes for domestic production activities in the quarterly periods in which the Company is eligible for the deduction.

(15) NATIMMUNE A/S AGREEMENT

In September 2005, the Company entered into a license agreement with NatImmune A/S ("NatImmune") for NatImmune's lead development compound, recombinant human Mannose-binding Lectin ("rhMBL"), a protein therapeutic under development for the prevention of severe infections in MBL-deficient individuals undergoing chemotherapy. Under the agreement, the Company received exclusive worldwide rights, excluding the Nordic countries, and is responsible for the development, manufacture, and marketing of rhMBL. The $10.0 million upfront cost of the license agreement was charged to in-process research and development in the three months ended September 30, 2005. The Company paid NatImmune the upfront license fee in October 2005. The Company will be responsible for making additional payments upon the successful completion of certain clinical development, regulatory, and sales-based milestones. NatImmune is also eligible to receive royalties from any future product sales of rhMBL by Enzon and retains certain rights to develop a non-systemic formulation of rhMBL for topical administration.

(16) RELATED PARTY TRANSACTION

One of the Company's executive officers, Jeffrey H. Buchalter, received relocation benefits in connection with his appointment as Chief Executive Officer. The Company is administering these benefits through a relocation services agreement with an independent third party (the "Provider") pursuant to which, in accordance with Enzon's relocation policy, in September 2005 the Provider purchased Mr. Buchalter's residence at a purchase price calculated using the average of two independent appraisals of the property (the "Purchase Price"). Mr. Buchalter was paid $412,384 in connection with the transaction which amount represents Mr. Buchalter's equity in the property. The amount is classified under other current assets on the condensed consolidated balance sheet at September 30, 2005. Under the relocation services agreement, the Company reimbursed the Provider for the equity component of the Purchase Price and the related closing costs. The Company is responsible for a $2,500 service fee to the Provider as well as carrying and sales costs that the Provider incurs in connection with selling the property. The Company will receive the net proceeds from the resale of the property, and, if the property is sold for less than the Purchase Price, it is responsible for reimbursing the Provider for the amount of the deficiency.

(17) SUBSEQUENT EVENT

In October 2005, the Company amended its license agreement with Aventis Pharma, Inc. and Aventis Pharmaceuticals, Inc. (together "Aventis"), members of the Sanofi-Aventis Group, for its oncology product, ONCASPAR(R) (pegaspargase). The amended agreement, which will become effective in January 2006, includes a significant reduction in the royalty rate, with no royalty obligation for the first $25.0 million of ONCASPAR sales and a single digit royalty percentage payable to Aventis on those annual sales of ONCASPAR that are in excess of $25.0 million. Previously, the Company was obligated to pay 25% royalty on all sales of ONCASPAR in the U.S. and Canada. The Company will pay Aventis an upfront cash payment of $35.0 million in January 2006. Aventis is entitled to receive royalty payments through June 30, 2014, at which time all Enzon royalty obligations will cease.

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

COMPANY OVERVIEW

We are a biopharmaceutical company focused on the development, manufacture, and commercialization of pharmaceutical products for patients with cancer and other life-threatening diseases through the application of our proprietary technologies and through strategic partnerships. Our revenues are comprised of sales of four FDA-approved products marketed by our specialized sales force, ABELCET, ADAGEN, ONCASPAR, and DEPOCYT. We also receive royalties on sales of products that use our technology, including PEG-INTRON marketed by Schering-Plough Corporation ("Schering-Plough") and MACUGEN, marketed by Eyetech Pharmaceuticals ("Eyetech") and Pfizer Inc. In addition, we receive contract manufacturing revenue for the manufacture of injectable products at our manufacturing facility, including ABELCET and MYOCET for Zeneus Pharma Ltd. and the multivitamin MVI(R) for Mayne Group Limited ("Mayne").

Since December 2004, a new executive management team has been formed and a number of new board members have been appointed. Our new leadership has been taking a number of positive actions to reshape our business for the future, including focusing on maximizing performance, improving processes, and investing in our core assets. Going forward, key elements of our strategy will include: leveraging our resources and infrastructure; capitalizing on our strong technological heritage, including rebuilding our development pipeline; investing in our marketed brands; and selectively pursuing strategic alliances.

Effective December 31, 2005, we will change our fiscal year end from June 30 to December 31. Accordingly, we will file a report on Form 10-K covering the six-month transition period ending December 31, 2005.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Management's Discussion and Analysis of Financial Condition and Results of Operations in this report contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to expectations or forecasts of future events. These statements use words such as "anticipate," "believe," "could," "estimate," "expect," "forecast," "project," "intend," "plan," "potential," "will," and other words and terms of similar meaning in connection with a discussion of potential future events or circumstances or future operating or financial performance. You can also identify forward-looking statements by the fact that they do not relate strictly to historical or current facts, but rather, relate to future actions, prospective products, future performance or results of current or anticipated products, research and development and other expenses and revenues from new or existing collaborations.

Specific examples of such forward looking statements include the potential impact on our revenues of Schering-Plough's launch of PEG-INTRON in Japan, the potential impact on our ability to sustain or grow our ABELCET revenues in light of continuing competitive and pricing pressure in the intravenous antifungal market, the future sales performance of our other products, the potential impact of manufacturing and stability problems with ONCASPAR, the continued sufficiency of our capital resources, and our ability to access the capital markets in the future. This is not necessarily inclusive of all examples of forward-looking statements that are or may be contained in this report.

Any or all forward-looking statements contained in this report may turn out to be wrong. Actual results may vary materially, and there are no guarantees about our financial and operating performance or the performance of our stock. All statements are made as of the date of signing of this report and we do not assume any obligation to update any forward-looking statement as a result of new information, future events, or otherwise. You should, however, consult any further disclosures we make on related subjects in our reports on Forms 10-Q, 8-K and 10-K filed with the Securities and Exchange Commission ("SEC").

Many factors could cause actual results to differ from the results or developments discussed or predicted in the forward-looking statements made in this report. These factors include inaccurate assumptions and a broad variety of other risks and uncertainties, including some that are known and some that are not. Although it is not possible to predict or identify all such factors, many of them are described under the caption "Risk Factors" in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K for the fiscal year ended June 30, 2005, which we filed with the SEC and which "Risk Factors" section of such Form 10-K is incorporated by Reference in this report. Readers of this report are advised to read such Risk Factors in connection with this report.

LIQUIDITY AND CAPITAL RESOURCES

Total cash reserves, which include cash, cash equivalents, short term investments and marketable securities, were $228.7 million as of September 30, 2005, as compared to $225.1 million as of June 30, 2005. The increase is primarily due to net proceeds from the sale of 375,000 shares of NPS Pharmaceuticals, Inc. common stock, offset in part by cash used in operating activities.

During the three months ended September 30, 2005, net cash used in operating activities was $2.4 million compared to $3.8 million for the three months ended September 30, 2004. Cash used in operating activities during the three months ended September 30, 2005 consisted of our net loss of $5.8 million and cash outflows related to changes in our operating assets and liabilities of $18.0 million, offset in part by non-cash reconciling items related to (i) depreciation and amortization charges of $5.7 million, (ii) an increase in the valuation allowance associated with our deferred tax assets of $1.0 million, (iii) a loss related to an equity collar arrangement and sale of NPS common stock of $3.5 million, (iv) acquired in-process research and development of $10.0 million, and (v) other adjustments of $1.2 million. Cash used in operating activities during the three months ended September 30, 2004 consisted of our net loss of $0.9 million and cash outflows related to changes in our operating assets and liabilities of $10.7 million, offset in part by non-cash reconciling items related to (i) depreciation and amortization charges of $5.6 million, (ii) a loss related to an equity collar arrangement and sale of NPS common stock of $1.3 million, and (iii) other adjustments of $0.9 million.

Cash used in investing activities totaled $26.6 million for the three months ended September 30, 2005 compared to $23.3 million for the three months ended September 30, 2004. Cash used in investing activities during the three months ended September 30, 2005, consisted of net cash used for purchases of marketable securities of $117.6 million and capital expenditures of $1.1 million offset in part by cash proceeds of $92.1 million from sales of marketable securities, including $7.5 million from the sale of 375,000 shares of NPS common stock. Cash used in investing activities during the three months ended September 30, 2004 consisted of net cash used for purchases of marketable securities of $22.5 million and capital expenditures of $0.8 million.

There was no cash provided by financing activities for the three months ended September 30, 2005. During the three months ended September 30, 2004, we received $0.1 million in proceeds from the issuance of common stock under our stock option plans.

As of September 30, 2005, we had $399.0 million of convertible subordinated notes outstanding that bear interest at an annual rate of 4.5%. Interest is payable on January 1 and July 1 of each year. Accrued interest on the notes was $4.5 million as of September 30, 2005. The holders may convert all or a portion of the notes into common stock at any time on or before July 1, 2008. The notes are convertible into our common stock at a conversion price of $70.98 per share, subject to adjustment in certain events. The notes are subordinated to all existing and future senior indebtedness. Since July 7, 2004, we may redeem any or all of the notes at specified redemption prices, plus accrued and unpaid interest to the day preceding the redemption date. In October 2005, through a privately negotiated transaction, we redeemed approximately $5.0 million in aggregate principal amount and accrued interest of the Notes in exchange for a cash payment of $4.7 million, which includes a principal payment of $4.6 million and accrued interest of $0.1 million. The notes will mature on July 1, 2008 unless earlier converted, redeemed at our option or redeemed at the option of the note-holder upon a fundamental change, as described in the indenture for the notes. Neither we nor any of our subsidiaries are subject to any financial covenants under the indenture. In addition, neither we nor any of our subsidiaries are restricted under the indenture from paying dividends, incurring debt or issuing or repurchasing our securities.

Our current sources of liquidity are our cash reserves; interest earned on such cash reserves; short-term investments; marketable and equity securities; sales of ADAGEN(R), ONCASPAR(R), DEPOCYT(R) and ABELCET(R); royalties earned, which are primarily related to sales of PEG-INTRON(R), and contract manufacturing revenue. Based upon our currently planned research and development activities and related costs and our current sources of liquidity, we anticipate

our current cash reserves and expected cash flow from operations will be sufficient to meet our capital and operational requirements for the foreseeable future; however, we may seek additional financing to meet the maturity of our convertible notes.

While we believe that our current sources of liquidity will be adequate to satisfy our capital and operational needs for the foreseeable future, we may seek additional financing, such as through future offerings of equity or debt securities or agreements with collaborators with respect to the development and commercialization of products, to fund future operations and potential acquisitions. We cannot assure you, however, that we will be able to obtain additional funds on acceptable terms, if at all.

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 ("SPE"), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of September 30, 2005, we are not involved in any SPE transactions.

CONTRACTUAL OBLIGATIONS

Our major outstanding contractual obligations relate to our operating leases, inventory purchase commitments, convertible debt, and license agreements with collaborative partners.

Since June 30, 2005, other than the addition of the agreements with NatImmune discussed in Note 15, NatImmune A/S Agreement, and members of the Sanofi-Aventis Group in Note 17, Subsequent Event, to the condensed consolidated financial statements contained in this report, there has been no material change with respect to our contractual obligations as disclosed under Management's Discussion and Analysis of Financial Condition and Results of Operations - Contractual Obligations in our annual report on Form 10-K for the year ended June 30, 2005.

RESULTS OF OPERATIONS

THREE MONTHS ENDED SEPTEMBER 30, 2005 AND 2004

Revenues. Total revenues for the three months ended September 30, 2005 were $44.0 million, as compared to $40.5 million for the three months ended September 30, 2004. The components of revenues are product sales, manufacturing revenue, royalties we earn on the sale of our products by others and contract revenue.

Net product sales decreased by 9% to $25.2 million for the three months ended September 30, 2005, as compared to $27.5 million for the three months ended September 30, 2004. The decrease in net product sales was attributable to a decline in North American sales of our intravenous antifungal product, ABELCET, due to competitive market conditions. Sales of ABELCET in North America decreased by 33% to $11.1 million for the three months ended September 30, 2005, as compared to $16.5 million for the three months ended September 30, 2004. ONCASPAR net sales increased by 33% to $5.8 million for the three months ended September 30, 2005 versus $4.4 million for the three months ended September 30, 2004. The increase in ONCASPAR sales was attributable to an increase in demand reflecting our increased sales and marketing efforts to support the product, and to a lesser extent a higher weighted average price. Sales of DEPOCYT remained fairly consistent coming in at $2.3 million for each of the three-month periods ended September 30, 2005 and 2004. ADAGEN sales increased by 38% for the three months ended September 30, 2005 to $6.0 million compared to $4.3 million for the three months ended September 30, 2004. The growth in ADAGEN sales for the three months ended September 30, 2005 was due to an increase in the number of patients over the corresponding period in the prior year, as well as, a higher weighted average selling price.

Manufacturing revenue for the three months ended September 30, 2005 increased to $3.4 million, as compared to $2.5 million for the comparable period of the prior year. Manufacturing revenues were comprised of revenues from the

manufacture of ABELCET and MYOCET for the European market, and to a lesser extent the manufacture of an injectable multivitamin, MVI, for Mayne. Our manufacturing revenue commenced in November 2002, when we entered into a long-term manufacturing and supply agreement with Elan for the manufacture of ABELCET and MYOCET for the European market in connection with our acquisition of the North American ABELCET business.

Royalties for the three months ended September 30, 2005, increased to $15.2 million compared to $10.1 million for the three months ended September 30, 2004. Royalties are primarily comprised of royalties we receive on sales of PEG-INTRON, a PEG enhanced alpha interferon product. PEG-INTRON is marketed worldwide by Schering-Plough for the treatment of hepatitis C. The growth in royalties was due to the December 2004 launch of PEG-INTRON combination therapy in Japan and to a lesser extent the January 2005 launch of MACUGEN in the U.S. for the treatment of neovascular (wet) age-related macular degeneration (AMD), an eye disease associated with aging that destroys central vision. Under a strategic alliance we formed in 2002 with Nektar, Nektar provides Eyetech with PEGylation technology for use in MACUGEN and we receive a share of the royalties Nektar Therapeutics ("Nektar") receives from Eyetech.

Due to the December 2004 launch of PEG-INTRON combination therapy in Japan, we believe royalties from sales of PEG-INTRON may continue to be positively impacted in the near term. In September 2005, Hoffmann-La Roche reported that it received fast-track review in Japan for its PEGylated interferon-based combination therapy with approval expected in the third quarter of calendar 2006. In markets outside of Japan, PEG-INTRON competes in a highly competitive market and Schering-Plough has reported contracting market conditions. We cannot assure you that the positive impact of the launch of PEG-INTRON in Japan will offset this market contraction and competitive conditions or that any particular sales levels of PEG-INTRON will be achieved or maintained.

Since December 2004, a new executive management team has been named and a significant focus is being placed on improving our revenues by supporting our four marketed brands, ABELCET, ONCASPAR, ADAGEN, and DEPOCYT, and expanding their market potential through new initiatives. Despite our efforts, North American sales of ABELCET may continue to be negatively impacted by the competitive conditions in the intravenous antifungal market due to the introduction of newer agents as well as increased pricing pressure in the lipid-based amphotericin B market. We cannot assure you that our efforts to support our products will be successful or that any particular sales levels of ABELCET, ONCASPAR, ADAGEN, and DEPOCYT will be achieved or maintained.

Contract revenues for the three months ended September 30, 2005 remained relatively consistent at $0.3 million as compared to $0.3 million for the three months ended September 30, 2004.

During the three months ended September 30, 2005, we had export sales and royalties on export sales of $14.8 million, of which $8.4 million were in Europe. Export sales and royalties recognized on export sales for the prior year quarter were $10.8 million, of which $7.9 million were in Europe.

Cost of Sales and Manufacturing Revenue. Cost of sales and manufacturing revenue, as a percentage of net sales and manufacturing revenue, increased to 42% for the three months ended September 30, 2005 as compared to 36% for the same period last year. The increase was attributable to increased capacity costs and negative absorption variances arising from low production volumes.

Research and Development Expense. Research and development expenses consist primarily of salaries and benefits; patent filing fees; contractor and consulting fees, principally related to clinical and regulatory projects; costs related to research and development partnerships or licenses; drug supplies for clinical and preclinical activities; as well as, other research supplies and allocated facilities charges.

Research and development expenses decreased by 47% to $5.3 million for the three months ended September 30, 2005 compared to $10.0 million for the three months ended September 30, 2004. The decrease was attributable to our decision to discontinue a number of clinical and preclinical development programs that did not meet our criteria for continued investment. We are

committed to investing in research and development as we advance our objective of rebuilding our development pipeline.

Selling, General and Administrative Expense. Selling expenses consist primarily of salaries and benefits for our sales and marketing personnel, as well as other commercial expenses and marketing programs to support our sales force. General and administrative expenses consist primarily of salaries and benefits; outside professional services for accounting, audit, tax, legal, and investor activities; and allocations of facilities costs.

Selling, general and administrative expenses for the three months ended September 30, 2005 decreased by 4% to $11.7 million, as compared to $12.2 million in the same period last year. The decrease was attributable to an increase in general and administrative costs of $1.7 million offset in part by a decrease in sales and marketing expenses of $2.2 million. The increase in general and administrative costs was primarily attributable to (i) an increase in personnel-related costs, including the timing of executive-level replacements and relocation expenses associated with such replacements, and (ii) increased legal fees associated with the increased focus we are placing on protecting our intellectual property. The decrease in sales and marketing expenses was largely due to the timing of our investments in sales and marketing programs.

Acquired in-process research and development. Acquired in-process research and development for the three months ended September 30, 2005, was $10.0 million and was attributable to the execution of a license agreement with NatImmune in September 2005 for the clinical development of recombinant human Mannose-binding Lectin. Mannose-binding Lectin is a naturally occurring human plasma protein that plays a key role in the immune system's first-line defense against infection.

Amortization. Amortization expense remained unchanged at $3.4 million for the three months ended September 30, 2005 and 2004. Amortization expense is related to intangible assets acquired in connection with our purchase of the North American ABELCET business in November 2002. Amortization of intangible assets is provided over their estimated lives ranging from 1-15 years on a straight-line basis.

Other income (expense). Other income (expense) for the three months ended September 30, 2005 was a net expense of $6.4 million, as compared to a net expense of $5.6 million for the three months ended September 30, 2004. Other income (expense) includes: net investment income, interest expense, and other, net.

Net investment income for the three months ended September 30, 2005 increased to $1.6 million from $0.8 million for the three months ended September 30, 2004 due to an increase in our interest bearing investments and higher interest rates.

Interest expense was $4.9 million for the three months ended September 30, 2005, as compared to $5.0 million for the three months ended September 30, 2004. Interest expense is related to our 4.5% convertible subordinated notes that were outstanding during each of the periods.

Other, net is primarily attributable to 1.5 million shares of NPS common stock that we received under a June 2003 merger termination agreement and a financial instrument we formed to reduce our exposure to the change in fair value associated with such shares, specifically a zero cost protective collar arrangement (the "Collar"). For the three months ended September 30, 2005, other, net was an expense of $3.1 million, as compared to an expense of $1.4 million for the three months ended September 30, 2004. During each of the quarters ended September 30, 2005 and 2004, the Company sold 375,000 shares of NPS common stock it held and 375,000 shares of the Collar instrument matured. This resulted in the recognition of a loss of $3.5 million and $1.3 million as a component of other income (expense) for the quarters ended September 30, 2005 and 2004, respectively. The Company received cash proceeds from the settlement of this instrument totaling $7.5 million in each of the quarters ended September 30, 2005 and 2004.

Income Taxes. During the three months ended September 30, 2005, we recognized a tax expense of approximately $1.1 million compared to tax benefit of $0.6 million for the three months ended September 30, 2004. We recognized a

tax expense for the three months ended September 30, 2005 due to a deferred tax liability for goodwill. The tax provision for the three months ended September 30, 2004 was based on the projected income tax expense and taxable income for the fiscal year ended June 30, 2005.

CRITICAL ACCOUNTING POLICIES

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 United States of America. All professional accounting standards effective as of September 30, 2005 have been taken into consideration in preparing our 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 including those related to contingent assets and liabilities. Some of those estimates are subjective and complex, and, consequently, actual results could differ from those estimates. The following accounting policies have been highlighted as significant because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

Revenue from product sales and manufacturing revenue is recognized upon passage of title and risk of loss to customers. This is generally at the time products are shipped to customers. Provisions for discounts or chargebacks, rebates and sales incentives to customers, and returns and other adjustments are provided for in the period the related sales are recorded. Historical data is used for estimating the amount of the reduction in gross sales.

The majority of our net product sales are to wholesale distributors who resell the products to the end customers. We provide chargeback payments to these distributors based on their sales to members of buying groups at prices determined under a contract between us and the member. Administrative fees are paid to buying groups based on the total amount of purchases by their members. Chargeback amounts are based upon the volume of purchases multiplied by the difference between the wholesaler acquisition cost and the contract price for a product. We estimate the amount of the chargeback that will be paid using historical trends, adjusted for current changes, and record the amounts as a reduction to accounts receivable and a reduction of gross sales when we record the sale of the product. The settlement of the chargebacks generally occurs within three months after the sale to the wholesaler. We regularly analyze the historical chargeback trends and make adjustments to recorded reserves for changes in trends.

In addition, state agencies, which administer various programs, such as the U.S. Medicaid and Medicare programs, also receive rebates. Medicaid rebates and administrative fees are recorded as a liability and a reduction of gross sales when we record the sale of the product. Medicaid rebates are typically paid within six to nine months after sale. In determining the appropriate accrual amount we consider our historical Medicaid rebate and administration fee payments by product as a percentage of our historical sales as well as any significant changes in sales trend. Current Medicaid rebate laws and interpretations, and the percentage of our products that are sold to Medicaid patients are also evaluated. Factors that complicate the rebate calculations are the timing of the average manufacturer pricing computation, the estimated lag time between sale and payment of a rebate and the level of reimbursement by state agencies.

The following is a summary of reductions of gross sales accrued as of September 30, 2005 and June 30, 2005:

	September 30, 2005	June 30, 2005
Accounts Receivable Reductions:		
Chargebacks	$5,216	$6,137
Cash Discounts	310	265
Other (including returns)	819	840

Total	$6,345	$7,242
Accrued Liabilities:		
Medicaid Rebates	$2,089	$2,604
Administrative Fees	321	347
Total	$2,410	$2,951

We have inventory management agreements with three of our major wholesalers. These agreements provide that the wholesalers maintain inventory levels at no more than six selling weeks. During the three months ended September 30, 2005, we decreased our distribution channel estimate to reflect the maximum wholesaler inventory levels. This resulted in an $0.8 million reduction to our chargeback estimates and a favorable effect on operating income for the three months ended September 30, 2005.

Royalties under our license agreements with third parties are recognized when earned through the sale of the product by the licensee net of any estimated future credits, chargebacks, sales discount rebates and refunds.

Contract revenues are recorded as the earnings process is completed. Non-refundable milestone payments that represent the completion of a separate earnings process are recognized as revenue when earned, upon the occurrence of contract-specified events and when the milestone has substance. Non-refundable payments received upon entering into licenses and other collaborative agreements where we have continuing involvement are recorded as deferred revenue and recognized ratably over the estimated service period.

Under the asset and liability method of SFAS No. 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. 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 not more likely than not that some portion or all of the deferred tax assets will be realized. We believe that it is not more likely than not that our net deferred tax assets will be realized, including our net operating losses from operating activities and stock option exercises, based on future operations. Accordingly, we have recorded a full valuation allowance against our deferred tax assets.

We assess the carrying value of our cost method investments in accordance with SFAS No. 115 "Accounting for Certain Investments in Debt and Equity" and SEC Staff Accounting Bulletin ("SAB") No. 59 "Accounting for Non-current Marketable Equity Securities". The Company evaluates its investments in accordance with EITF 03-01, "The Meaning of Other-Than-Temporary Impairment and its Application to Certain Investments". An impairment write-down is recorded when a decline in the value of an investment is determined to be other than temporary. These determinations involve a significant degree of judgment and are subject to change as facts and circumstances change.

In accordance with the provisions of SFAS No. 142 "Goodwill and other Intangible Assets", goodwill and intangible assets determined to have an indefinite useful life acquired in a purchase business combination are not subject to amortization, are tested at least annually for impairment, and are tested for impairment more frequently if events and circumstances indicate that the asset might be impaired. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value. Because our business is in one reporting unit, this determination is made at the entity level and consists of two steps. First, we determine the fair value of our reporting unit and compare it to its carrying amount. Second, if the carrying amount of the reporting unit exceeds the fair value, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation, in accordance with SFAS No. 141, "Business Combinations". The residual fair value after this allocation is the implied fair

value of our goodwill. Recoverability of amortizable intangible assets is determined by comparing the carrying amount of the asset to the future undiscounted net cash flow to be generated by the asset. The evaluations involve amounts that are based on management's best estimate and judgment. Actual results may differ from these estimates. If recorded values are less than the fair values, no impairment is indicated.

Effective July 1, 2005, the Company has adopted SFAS 123R. "Share-Based Payment." SFAS 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements, measured by the fair value of the equity or liability instruments issued, adjusted for estimated forfeitures. The effect of adoption of SFAS 123R was not material to the quarter ended September 30, 2005. It is expected, however, that the new rules will have a material effect on our consolidated results of operations and earnings per share in future periods.

Options or stock awards issued to non-employees and consultants are recorded at their fair value as determined in accordance with SFAS No. 123R and EITF No. 96-18, "Accounting for Equity Instruments That Are Issued to Other Than Employees for Acquiring, or in Conjunction with Selling, Goods or Services", and recognized over the related vesting or service period.

Fair value of share-based payments is determined using the Black-Scholes valuation model which 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.

We have elected the modified prospective transition method which requires that compensation costs be recorded, as earned, for all unvested stock options and restricted stock awards outstanding at June 30, 2005. In April and June 2005, the Board of Directors accelerated the vesting of all of the Company's unvested stock options awarded to directors, officers and employees with exercise prices greater than the market value of the Company's common stock on the effective date of the accelerations. This acceleration resulted in our not being required to recognize aggregate compensation expense of approximately $28.0 million over the succeeding 48 months ($2.5 million in the quarter ended September 30, 2005). As of September 30, 2005, there was $1.8 million of total unrecognized compensation cost related to unvested options which is expected to be recognized over a weighted-average period of 45 months.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The following discussion about our exposure to market risk of financial instruments contains forward-looking statements. Actual results may differ materially from those described.

Our holdings of financial instruments are comprised of equity and debt securities and time deposits. All such instruments are classified as available-for-sale securities. We do not invest in portfolio equity securities or commodities or use financial derivatives for trading purposes. Our debt security portfolio represents funds held temporarily pending use in our business and operations. We manage these funds accordingly.
We seek reasonable assuredness of the safety of principal and market liquidity by investing in rated fixed income securities while at the same time seeking to achieve a favorable rate of return. Our market risk exposure consists principally of exposure to changes in interest rates. Our holdings are also exposed to the risks of changes in the credit quality of issuers. We typically invest the majority of our investments in the shorter-end of the maturity spectrum, and at September 30, 2005 all of our holdings were in instruments maturing in five years or less.

The table below presents the principal amounts and related weighted average interest rates by year of maturity for our investment portfolio as of September 30, 2005 (in thousands):

2006	2007	2008	2009	2010	TOTAL	FAIR VALUE

Fixed Rate Securities	$127,217	$ 40,284	$ 12,061	$ 4,000	$ 19,825	$203,387	$ 202,098
Average Interest Rate	1.36%	3.41%	3.26%	3.51%	3.46%	2.13%	--
Variable Rate Securities	--	--	--	--	--	--	--
Average Interest Rate	--	--	--	--	--	--	--
	$127,217	$ 40,284	$ 12,061	$ 4,000	$ 19,825	$203,387	$ 202,098

Our 4.5% convertible subordinated notes in the principal amount of $399.0 million due July 1, 2008 have fixed interest rates. The fair value of the notes was approximately $353.6 million at September 30, 2005 based on the conversion price. The fair value of fixed interest rate convertible notes is affected by changes in interest rates and by changes in the price of our common stock.

ITEM 4. CONTROLS AND PROCEDURES

(A) EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES

Our management, under the direction of our Chief Executive Officer and Chief 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 September 30, 2005. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2005.

(B) CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

During the quarter ended September 30, 2005, we began to implement a remediation plan to enhance our accounting department and policies and procedures to address material weaknesses in our internal control over financial reporting that existed as of June 30, 2005. A detailed description of the material weaknesses is included in Item 9A to our Annual Report on Form 10-K for the fiscal year ended June 30, 2005. A summary of these material weaknesses is as follows:

- Our policies and procedures did not provide for adequate management oversight and review of the accounting implications of the terms and conditions of certain third-party agreements.
- Our policies and procedures did not provide for adequate management oversight and review of the determination of estimated reserves for sales returns, rebates, and wholesaler price adjustments.
- Our policies and procedures did not provide for adequate management oversight and review to ensure the proper accounting for a zero cost protective collar derivative instrument (the "Collar"). Specifically, we did not properly value the Collar and did not properly apply the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended, to the Collar.

Our remedial action plan, which we began implementing during the quarterly period ended September 30, 2005, includes:

- Revising our policies and procedures to provide for an increased level of management oversight and review with respect to accounting for certain agreements with third-parties.
- Increasing our level of training and education for accounting and finance personnel and revising other policies and procedures to provide for an increased level of management oversight with respect to the computation of our estimated revenue reserves for wholesaler price adjustments.
- Increasing our level of training, education, and accounting

reviews, and when necessary accessing additional accounting and financial personnel, to ensure that all relevant financial personnel have the appropriate level of technical expertise to effectively interpret and apply accounting standards. As indicated in Note 13, Derivative Instruments, the zero cost protection collar derivative instrument matured during the three months ended September 30, 2005. In addition, all accounting matters related to such investments have been resolved.

Other than the changes related to the remediation plan discussed above, there have been no other changes in our internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the quarterly period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. Management is committed to monitoring the improvements made to its internal control over financial reporting to ensure remediation of the material weaknesses that existed as of June 30, 2005.

PART II OTHER INFORMATION

ITEM 5. OTHER INFORMATION

In September 2005, we entered into an employment agreement with Ivan D. Horak, pursuant to which Dr. Horak was appointed our Executive Vice President and Chief Scientific Officer. The employment agreement will be effective until September 2, 2009, subject to automatic renewal for an additional twenty-four months.

The agreement provides for a base salary of $425,000 per year and participation in Enzon's bonus plan for management. Under the bonus plan, Dr. Horak will be eligible to receive an annual performance-based cash bonus in an amount between zero and 82.5% of base salary, based on individual and/or corporate factors to be established and determined by the Board of Directors each year. The annual target bonus is equal to 50% of Dr. Horak's base salary. Within five days of the commencement of Dr. Horak's employment, he received a sign-on cash bonus in the amount of $100,000.

Pursuant to the agreement, Dr. Horak was granted an option under our 2001 Incentive Stock Plan to purchase 200,000 shares of our Common Stock at a per share exercise price of $7.14 (the last reported sale price of our common stock on September 2, 2005). One-quarter of the options will vest on each of the first four anniversaries of the grant. Dr. Horak also received 50,000 shares of restricted Common Stock, 15,000 of which shares will vest on each of the third and fourth anniversaries of the date of grant and the remaining 20,000 shares will vest on the fifth anniversary of the date of grant, provided Dr. Horak remains employed as our Executive Vice President and Chief Scientific Officer on each such date.

In the event Dr. Horak's employment is terminated without cause (as defined in the employment agreement) by us or terminated by Dr. Horak for good reason (as defined in the employment agreement), Dr. Horak will be entitled to (i) a cash payment equal to any unpaid base salary through the date of termination plus any earned bonus relating to the preceding fiscal year that remains unpaid on the date of termination; (ii) a cash payment equal to one year of his base salary plus a cash payment equal to the target bonus which would have been payable for the fiscal year which commences immediately following the date of his termination and (iii) a cash payment equal to a prorata portion of his target bonus for the fiscal year during which the termination occurs. In addition, we will reimburse Dr. Horak for any medical and dental coverage available to him and his family for a period of up to 18 months commencing on the date of termination, and all options and shares of restricted stock described above that have not vested at the time of termination will vest immediately upon termination.

If we experience a change of control (as defined in Dr. Horak's employment agreement) and we terminate Dr. Horak's employment without cause or he terminates his employment for good reason, as defined, within the period commencing 90 days before such change in control and ending one year after the change of control, Dr. Horak will be entitled to (i) a cash payment equal to any unpaid base salary through the date of termination plus any earned bonus

relating to the preceding fiscal year that remains unpaid on the date of termination; (ii) a cash payment equal to two times the sum of his base salary and target bonus for the fiscal year in which the termination occurs and (iii) a cash payment equal to a prorata portion of his target bonus for the fiscal year during which the termination occurs. In addition, we will reimburse Dr. Horak for any medical and dental coverage available to him and his family for a period of up to 18 months commencing on the date of termination. Further, upon a change of control any of Dr. Horak's options to purchase Common Stock and shares of restricted Common Stock that have been granted to him, but not yet vested, prior to the effective date of the change of control shall vest at such time.

Dr. Horak's employment agreement requires him to maintain the confidentiality of our proprietary information during the term of his agreement and thereafter. Dr. Horak is precluded from competing with us during the term of his employment agreement and for one year after his employment is terminated.

In October 2005, Enzon amended its license agreement with Aventis Pharma, Inc. and Aventis Pharmaceuticals, Inc. (together "Aventis"), members of the Sanofi-Aventis Group, for its oncology product, ONCASPAR(R) (pegaspargase). The amended agreement, which will become effective in January 2006, includes a significant reduction in the royalty rate, with no royalty obligation for the first $25.0 million of ONCASPAR sales and a single digit royalty percentage payable to Aventis on those annual sales of ONCASPAR that are in excess of $25.0 million. Previously, Enzon was obligated to pay 25% royalty on all sales of ONCASPAR in the U.S. and Canada. We will pay Aventis an upfront cash payment of $35.0 million in January 2006. Aventis is entitled to receive royalty payments through June 30, 2014, at which time all Enzon royalty obligations will cease. We believe there is a growth opportunity for ONCASPAR and we are committed to investing in programs designed to optimize that potential, including programs that might produce additional intellectual property protection for the product. None of the patents currently owned or licensed to us relate to ONCASPAR.

ITEM 6. EXHIBITS

Exhibits required by Item 601 of Regulation S-K.

EXHIBIT NUMBER	DESCRIPTION
3.1	Certificate of Incorporation, as amended (previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended June 30, 2002 and incorporated herein by reference thereto)
3.2	Amendment to Certificate of Incorporation (previously filed as an exhibit to the Company's Current Report on Form 8-K filed on December 10, 2002 and incorporated herein by reference thereto)
3.3	By laws, as amended (previously filed as an exhibit to the Company's Current Report on Form 8-K filed with the Commission on May 22, 2002 and incorporated herein by reference thereto)
4.1	Indenture dated as of June 26, 2001, between the Company and Wilmington Trust Company, as trustee, including the form of 4 1/2% Convertible Subordinated Notes due 2008 attached as Exhibit A thereto (previously filed as an exhibit to the Company's Registration Statement on Form S-3 (File No. 333-67509) filed with the Commission and incorporated herein by reference thereto)
4.2	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent (previously filed as an exhibit to the Company's Form 8-A (File No. 000-12957) filed with the Commission on May 22, 2002 and incorporated herein by reference thereto)
4.3	First Amendment to Rights Agreement, dated as of February 19, 2003 (previously filed as an exhibit to the Company's Form 8-A12 G/A (File No. 000-12957) filed with the Commission on February 20, 2003 and incorporated herein by reference thereto)
10.1	Employment Agreement with Ivan D. Horak, M.D. dated September 2, 2005, along with a form of Stock Option Award Agreement and Restricted Stock Unit Award Agreement between the Company and Dr. Horak executed as of September 2, 2005 *

10.2	Form of Restricted Stock Unit Award Agreement for Independent Directors *
10.3	Form of Stock Option Award Agreement for options granted to Independent Directors under the 1987 Non-Qualified Stock Option Plan*
10.4	Form of Stock Option Award Agreement for options granted to Independent Directors under the 2001 Incentive Stock Plan *
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 *
31.2	Certification of Principal Accounting 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 Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*

* Filed herewith.

SIGNATURES

Pursuant to the requirements 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)

Date: November 9, 2005

By: /s/ Jeffrey H. Buchalter

Jeffrey H. Buchalter
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

Date: November 9, 2005

By: /s/ Craig A. Tooman

Craig A. Tooman
Executive Vice President, Finance
and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 10.1

EXECUTION COPY

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") dated as of September 2, 2005 (the "Effective Date"), between ENZON PHARMACEUTICALS, INC. (the "Company"), a Delaware corporation with offices in Bridgewater, New Jersey, and IVAN D. HORAK, M.D. (the "Executive"), a resident of New Jersey.

BACKGROUND

A. The Company is a biopharmaceutical company engaged in developing advanced therapeutics for life threatening diseases.

B. The Executive has experience as an executive in the biopharmaceutical industry.

C. The Company wishes to employ the Executive to render services for the Company on the terms and conditions set forth in this Agreement, and the Executive wishes to be retained and employed by the Company on such terms and conditions.

TERMS

In consideration of the foregoing premises, the mutual agreements set forth below and other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties agree as follows:

1. Employment. The Company hereby employs the Executive, and the Executive accepts such employment and agrees to perform services for the Company, for the period and upon the other terms and conditions set forth in this Agreement.

2. Term. The term of the Executive's employment hereunder (the "Term") shall commence on the Effective Date, and unless terminated at an earlier date in accordance with Section 9 hereof, and shall extend through the fourth anniversary of the Effective Date, subject to automatic renewal for an additional twenty-four (24) months, unless either party hereto receives written notice from the other party no later than ninety (90) days prior to the fourth anniversary of the Effective Date (a "first term notice of non-renewal") that such other party does not wish for the term hereof to continue beyond the fourth anniversary of the Effective Date, in which event the term hereof and the Executive's employment shall end at 5:00 PM on the fourth anniversary of the Effective Date. If neither party provides a first term notice of non-renewal prior to the fourth anniversary of the Effective Date, then the Term and the Executive's employment shall extend until 5:00 PM Eastern Time on the earlier of (a) the sixth (6th) anniversary of the Effective Date and (b) the date that is twelve (12) months following the date on which either party hereto receives written notice (an "extension term notice of non-renewal") from the other party that such other party does not wish for the term hereof to continue beyond such twelve (12) month notice period. For the purposes of this Agreement, a "first term notice of non-renewal" and an "extension term notice of non-renewal" shall be referred to collectively as a "notice of non-renewal."

3. Position and Duties.

(a) Service with Company. During the Term, the Executive agrees to perform such employment duties for the Company in an executive and managerial capacity commensurate with the position of Executive Vice President and Chief Scientific Officer of the Company. As Executive Vice President and Chief Scientific Officer, the Executive shall have the authority, duties and responsibilities associated with this position, including, without limitation, the authority and duty generally to supervise and direct all research and development activities of the Company as well as such additional duties consistent with his position as assigned by the Chief Executive Officer, reporting to the Chief Executive Officer, and subject to the control and direction of the Chief Executive Officer of the Company, the Board of Directors of the Company (the "Board"), or any duly authorized Committee of the Board. For specificity, Executive's Position Description is attached hereto as Exhibit C.

(b) Performance of Duties.

(i) The Executive agrees to serve the Company faithfully and to the best of his ability and to devote his full time, attention and efforts to the business and affairs of the Company during his employment by the Company.

(ii) The Executive agrees that he will not use on behalf, or for the benefit, of the Company, or disclose to the Company, any confidential information of or concerning his former employer. It is the Company's intention that the Executive not breach any confidentiality agreement to which he is party, including, without limitation, any such agreement he may have with his former employer. The Executive will not render or perform services for any other corporation, firm, entity or person which are inconsistent with the provisions of this Agreement.

(iii) While he remains employed by the Company, the Executive may participate in reasonable charitable activities and personal investment activities so long as such activities do not conflict or interfere with the performance of his obligations under this Agreement.

(c) The Executive's Representations and Warranties. The Executive represents and warrants to the Company that his entering into and performing this Agreement will not constitute a breach of any employment, consulting, non-competition or other agreement to which he is a party or any other obligation of the Executive. The Executive represents and warrants to the Company that he has not been debarred under the Generic Drug Enforcement Act of 1992 (Sections 306-308 of the Federal Food, Drug and Cosmetic Act) nor has the Executive received notice of action or threat of action of debarment. The Executive shall comply with the Company's material policies governing the conduct of senior executives, including, without limitation, its Substance Abuse Policy, during the Term.

4. Compensation.

(a) Base Salary. The Company shall pay to the Executive, less applicable deductions and withholdings, base salary (the "Base Salary") at an annual rate of Four Hundred Twenty-Five Thousand Dollars ($425,000) per year, which Base Salary shall be paid in accordance with the Company's normal payroll procedures and policies for its senior management. The compensation payable to the Executive during each fiscal year of the Company beginning after the Effective Date shall be established by the Board or the Compensation Committee thereof following an annual performance review, but in no event shall the annual rate of Base Salary for any successive year of the Term be less than the highest annual rate of Base Salary in effect during the previous year of the Term.

(b) Annual Bonus. The Executive shall be entitled to participate in the Company's bonus plan for management and any successor bonus plan covering management with respect to each fiscal year of the Company ending during the Term (the "Bonus Plan"). Under the Bonus Plan, the Executive shall be eligible to receive a performance-based cash bonus for each fiscal year ending during the Term in an amount, and based on objective individual and/or corporate objectives, targets and factors (and evaluation as to the extent of achievement thereof), to be established and determined by the Board in its discretion following consultation between the Chief Executive Officer and the Executive prior to, or within sixty (60) days after the commencement of, each fiscal year. Under the Bonus Plan for the Executive, (i) the minimum cash bonus shall be zero (0), (ii) the target cash bonus shall equal 50% of the Base Salary (the "Target Bonus"), and (iii) the maximum cash bonus shall equal 82.5% of Base Salary. In addition to the foregoing amounts, within five (5) days after Executive's first day of employment, the Company shall pay to Executive a bonus in cash in the amount of $100,000.

(c) Participation in Benefit Plans; Indemnification. While he is employed by the Company, the Executive shall also be eligible to participate in any incentive and employee benefit plans or programs which may be offered by the Company to the extent that the Executive meets the requirements for each individual plan and in all other plans in which Company executives participate. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and, except as provided at Section

10 hereof, the Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto. During the Executive's employment with the Company, and thereafter, the Company shall indemnify the 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 in connection with his employment by the Company, and cover him under a policy of directors and officers liability insurance, in a manner and to an extent that is not less favorable to the Executive as the indemnification protection, and liability insurance coverage, that is afforded by the Company to any other senior officer or director. A copy of the Company's Directors and Officers Liability Insurance policy will be provided to the Executive.

(d) Expenses. The Company will pay or reimburse the Executive for all reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Agreement, subject to the Company's normal policies for expense verification.

(e) Stock Options. Subject to the Executive commencing his employment hereunder as the Company's Executive Vice President and Chief Scientific Officer on the Effective Date, the Executive shall be granted options to purchase shares of common stock of the Company ("Common Stock") pursuant to the Company's 1987 Non-Qualified Stock Option Plan, as amended (the "Stock Plan") and the form of Non-Qualified Stock Option Certificate and Agreement attached hereto as Exhibit A (the "Option Agreement"). Such options (the "Option") will cover 200,000 (Two Hundred Thousand) shares of Common Stock at an exercise price per share equal to the last reported sale price of a share of Common Stock as reported by the Nasdaq Stock Market on the Effective Date or, if the Nasdaq Stock Market is not open on the Effective Date, on the day next preceding the Effective Date on which the Nasdaq Stock Market is open. The Option shall vest and be exercisable as to 50,000 shares on each of the first four anniversaries of the Effective Date. Except as otherwise provided in Section 10 hereof, once such options become exercisable, they shall remain exercisable until 5:00 PM Eastern Time on the tenth (10th) anniversary of the Effective Date. Except as otherwise provided in this Agreement, the Option Agreement, a copy of which the Executive has received and reviewed, shall govern the terms of the options granted hereunder. In addition, at the discretion of the Board of Directors (or its applicable committee), the Executive shall be entitled to receive further grants of stock options, subject to the terms of the Option Plan.

(f) Restricted Stock Units. Upon execution of this Agreement, the Executive shall be granted 50,000 (Fifty Thousand) restricted stock units, subject to the terms of the Restricted Stock Unit Award Agreement attached hereto as Exhibit B and the 2001 Incentive Stock Plan. The restricted stock units shall vest 15,000 shares on each of the third and fourth anniversaries of the Effective Date and 20,000 shares on the fifth anniversary of the Effective Date. The Executive acknowledges that he has received and reviewed a copy of the 2001 Incentive Stock Plan. At the discretion of the Board of Directors (or its applicable committee), the Executive shall be entitled to receive additional grants of restricted stock units, subject to the terms of the 2001 Incentive Stock Plan or such other equity compensation plans that may be adopted by the Company from time to time. Nothing contained herein shall be deemed to guarantee the Executive any additional grants of options, restricted stock, restricted stock units, other equity awards or securities of the Company.

(g) Vacation. The Executive shall be entitled to vacations in accordance with the policy of the Company with respect to its senior management, in effect from time to time.

(h) Tax and Financial Planning Services. During each year of the term of this Agreement, Company agrees to reimburse Executive, up to $7,500 per fiscal year, for the costs of all tax return preparation, including any United States, state, or local returns, as well as for professional estate and financial planning services, if any, with Executive choosing the tax and other professionals who will provide such services. The Company will pay Executive's professional fees incurred to negotiate and prepare this Agreement and related agreements, in an amount not to exceed $7,500.

(i) Certain Legal Expenses. In the event of any legal proceedings, including without limitation arbitration, between the Company and Executive with respect to any dispute hereunder in which Executive prevails over the Company, the Company shall pay Executive's reasonable legal fees and expenses incurred in

connection with such proceedings.

(j) Employee Handbook. The Company's Employee Handbook will be provided to Executive. In the event the provisions of the Employee Handbook are inconsistent with the provisions of this Agreement, the provisions of this Agreement shall control.

5. Noncompetition and Confidentiality Covenant.

(a) Noncompetition. The "Noncompete Period" shall be the Term plus the one (1) year period immediately following termination of the Executive's employment with the Company irrespective of the reason for, or circumstances surrounding, such termination. In consideration for the compensation payable to the Executive pursuant to this Agreement, including without limitation the stock options and Restricted Stock Units granted to the Executive hereunder, during the Noncompete Period, the Executive will not directly, or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, employee, consultant, representative or otherwise, become, or be interested in or associated with any other person, corporation, firm, partnership or entity, engaged to a significant degree in (x) developing, manufacturing, marketing or selling enzymes, protein-based biopharmaceuticals or other pharmaceuticals that are modified using polyethylene glycol ("PEG"), (y) developing, marketing or selling single-chain antigen-binding proteins or (z) any specific technology or specific area of business in which the Company becomes involved to a significant degree during the Term. For purposes of the preceding sentence, to determine whether any entity is engaged in such activities to a "significant degree", comparison will be made to the Company's operations at that time. In other words, an entity will be deemed to be engaged in an activity to a significant degree if the number of employees and/or amount of funds devoted by such entity to such activity would be material to the Company's operations at that time. The Executive is hereby prohibited from ever using any of the Company's proprietary information or trade secrets to conduct any business, except for the Company's business while the Executive is employed by the Company as provided in Section 5(b) hereof. The provisions contained in this Section 5(a) shall survive the termination of the Executive's employment pursuant to Section 9 hereof or otherwise. In the event the Executive breaches any of the covenants set forth in this Section 5(a), the running of the period of restriction set forth herein shall be tolled for the period during which the breach exists and recommence upon the Executive's compliance with the terms of this Section 5(a).

(b) Confidentiality.

(i) The Executive acknowledges that, by reason of his employment by the Company, he will have access to confidential information of the Company, including, but not limited to, information and knowledge pertaining to products, inventions, discoveries, improvements, innovations, designs, ideas, trade secrets, proprietary information, manufacturing, packaging, advertising, marketing, distribution and sales methods, sales and profit figures, customer and vendor lists and relationships between the Company and dealers, distributors, sales representatives, wholesalers, customers, suppliers and others who have business dealings with them (collectively, "Confidential Information"). The Executive acknowledges that such Confidential Information is a valuable and unique asset of the Company and covenants that, both during and after the Term, he will not disclose any Confidential Information to any person or entity, nor use the Confidential Information for any purpose, except as his duties as an employee of the Company may require, without the prior written authorization of the Board. The obligation of confidentiality imposed by this Section 5(b) shall not apply to Confidential Information that otherwise becomes generally known to the public through no act of the Employee in breach of this Agreement or any other party in violation of an existing confidentiality agreement with the Company or which is required to be disclosed by a specific order of a court or governmental agency.

(ii) All Confidential Information, as well as any other records, designs, patents, business plans, financial statements, manuals, memoranda, lists, research and development plans and products, and other property delivered to or compiled by the Executive for or on behalf of the Company or its vendors or customers that pertain to the business of the Company shall be and remain the property of the

Company, and be subject at all times to its discretion and control. Likewise, all Confidential Information, as well as any other formulae, correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company (and all copies thereof) that are collected by the Executive shall be delivered promptly to the Company without request by it upon termination of the Executive's employment.

(c) Nonsolicitation of Employees. During the Noncompete Period, the Executive shall not, directly or indirectly, personally or through others, encourage to leave employment with the Company, solicit for employment, or advise or recommend to any other person, firm, business, or entity that they employ or solicit for employment, any employee of the Company or of any parent, subsidiary, or affiliate of the Company.

6. Ventures. If, during the term of his employment, the Executive is engaged in or associated with the planning or implementing of any project, program, venture or relationship involving the Company and a third party or parties, all rights in such project, program, venture or relationship shall belong to the Company. Except as approved by the Board, the Executive shall not be entitled to any interest in such project, program, venture or relationship or to any commission, finder's fee or other compensation in connection therewith other than the compensation to be paid to the Executive as provided in this Agreement.

7. Acknowledgment. The Executive agrees that the covenants and agreements contained in Section 5 hereof are material to this Agreement; that each of such covenants is reasonable and necessary to protect and preserve the Company's interests, properties and business; that irreparable loss and damage will be suffered by the Company should the Executive breach any of such covenants and agreements; that each of such covenants and agreements is separate, distinct and severable not only from the other of such covenants and agreements but also from the other and remaining provisions of this Agreement; that the unenforceability or breach of any such covenants or agreement shall not affect the validity or enforceability of any other such covenant or agreement or any other provision of this Agreement; and that, in addition to other remedies available to it, the Company shall be entitled to both temporary and permanent injunctions and any other rights or remedies it may have, at law or in equity, to end or prevent a breach or contemplated breach by the Executive of any such covenants or agreements.

(a) Geographic Extent of the Executive's Obligations Concerning Section 5. The restrictions contained in Section 5 are limited to the United States. Given the nature of the Company's business, the restrictions contained in Section 5 cannot be limited to any particular geographic region within the United States. Therefore, the obligations of the Executive under Section 5 shall apply to any geographic area in which the Company (i) has engaged in business during the period of the Executive's employment with the Company or (ii) has otherwise established during the period of the Executive's employment with the Company its goodwill, business reputation or any customer or vendor relations.

(b) Limitation of Covenant. Ownership by the Executive, as a passive investment, of less than five percent (5%) of the outstanding shares of capital stock or equity of any corporation or other entity that is publicly traded shall not constitute a breach of Section 5.

(c) Blue Pencil Doctrine. The restrictions contained in Section 5 are limited to the United States. If the duration or geographical extent of, or business activities covered by, Section 5 are in excess of what is valid and enforceable under applicable law, then such provision shall be construed to cover only that duration, geographical extent or activities that are valid and enforceable. The Executive acknowledges the uncertainty of the law in this respect and expressly stipulates that this Agreement be given the construction which renders its provisions valid and enforceable to the maximum extent (not exceeding its express terms) possible under applicable law.

(d) Disclosure. The Executive shall disclose to any prospective employer, prior to accepting or continuing employment, the existence of Section 5 of this Agreement and shall provide such prospective employer with a copy of

Section 5 of this Agreement. The obligation imposed by this subsection 7(d) shall terminate one year after the termination of the Executive's employment with the Company.

8. Intellectual Property and Related Matters.

(a) Disclosure and Assignment. The Executive will promptly disclose in writing to the Company complete information concerning each and every product, invention, discovery, practice, process or method, whether patentable or not, made, developed, perfected, devised, conceived or first reduced to practice by the Executive, either solely or in collaboration with others, during the Term, or within six months thereafter, whether or not during regular working hours, relating either directly or indirectly to the business, products, practices or techniques of the Company ("Developments"). The Executive hereby acknowledges that any and all of the Developments are the property of the Company and hereby assigns and agrees to assign to the Company any and all of the Executive's right, title and interest in and to any and all of the Developments. At the request of the Company, the Executive will confer with the Company and its representatives for the purpose of disclosing all Developments to the Company, as the Company shall reasonably request during the period ending three (3) years after the end of the Term.

(b) Limitation on Section 8(a). The provisions of Section 8(a) shall not apply to any Development meeting the following conditions:

(i) such Development was developed entirely on the Executive's own time;

(ii) such Development was made without the use of any Company equipment, supplies, facility or trade secret or customer information;

(iii) such Development does not relate (A) directly to the business of the Company or (B) to the Company's actual or demonstrably anticipated research or product or customer development; and

(iv) such Development does not result from any work performed by the Executive for the Company.

(c) Assistance of the Executive. Upon request and without further compensation therefor, but at no expense to the Executive, the Executive will do all lawful acts, including but not limited to, the execution of papers and lawful oaths and the giving of testimony, that in the opinion of the Company, may be necessary or desirable in enforcing the Company's intellectual property and trade secret rights, and for perfecting, affirming and recording the Company's complete ownership and title to Developments.

(d) Records. The Executive will keep complete, accurate and authentic accounts, notes, data and records of the Developments in the manner and form requested by the Company. Such accounts, notes, data and records shall be the property of the Company, and, upon the earlier of the Company's request or the conclusion of his employment, the Executive will promptly surrender same to the Company.

(e) Copyrightable Material. All right, title and interest in all copyrightable material that the Executive shall conceive or originate, either individually or jointly with others, and which arise out of the performance of his duties under this Agreement or otherwise as an employee of the Company, will be the property of the Company and are by this Agreement assigned to the Company along with ownership of any and all copyrights in the copyrightable material. Upon request and without further compensation therefor, but at no expense to the Executive, the Executive shall execute all papers and perform all other acts necessary to assist the Company to obtain and register copyrights on such materials in any and all countries. Where applicable, works of authorship created by the Executive for the Company in performing his responsibilities under this Agreement shall be considered "works made for hire," as defined in the U.S. Copyright Act.

(f) Know-How and Trade Secrets. All know-how and trade secret information conceived or originated by the Executive that arises out of the performance of his obligations or responsibilities under this Agreement or any related material or information shall be the property of the Company, and all rights therein are by this Agreement assigned to the Company.

9. Termination of Employment.

(a) Grounds for Termination. The Executive's employment pursuant to this Agreement shall terminate prior to the expiration of the Term in the event that at any time:

(i) the Executive dies,

(ii) the Executive becomes disabled (as defined below), so that he cannot perform the essential functions of his position with or without reasonable accommodation,

(iii) The Board elects to terminate the Executive's employment for "Cause" and notifies the Executive in writing of such election,

(iv) The Board elects to terminate the Executive's employment without "Cause" and notifies the Executive in writing of such election, or

(v) The Executive elects to terminate his employment, without Good Reason and without liability, and notifies the Board in writing of such election.

If the Executive's employment is terminated pursuant to clause (i), (ii) or (iii) of this Section 9(a), such termination shall be effective immediately. If the Executive's employment is terminated pursuant to subsection (iv) of this Section 9(a), such termination shall be effective 30 days after receipt of the notice of termination, and if pursuant to subsection (v) of this Section 9(a), such termination shall be effective 15 days after receipt of such notice.

(b) "Cause" Defined. "Cause" shall mean (i) the willful engaging by the Executive in illegal conduct or gross misconduct that is demonstrably and materially injurious to the Company, (ii) the Executive's willful refusal to perform his duties hereunder (other than any such failure resulting from illness or incapacity) which refusal is demonstrably and materially injurious to the Company, but only after the Executive has first received written notice of such alleged refusal, and such refusal shall have continued for fifteen (15) days after such notice without cure by the Executive, or (iii) the Executive's material breach of his obligations under this Agreement which breach is demonstrably and materially injurious to the Company, but only after the Executive has first received written notice of such alleged breach and has failed to cure such breach within fifteen (15) days after such notice; provided, however, that if the breach is not one that can be reasonably cured, then the foregoing requirement in this Clause (iii) for notice and opportunity to cure shall not apply. For purposes of this Section 9(b), no act or failure to act on the Executive's part shall be deemed "willful" unless done, or omitted to be done, by the Executive not in good faith and without reasonable belief that the Executive's action or omission was in the best interests of the Company. Notwithstanding the foregoing, the Executive shall not be deemed to have been terminated for Cause unless and until the Company delivers to the Executive a copy of a resolution duly adopted by the affirmative vote of not less than a majority of the Board (not including the Executive, if he is then on the Board) at a meeting of the Board called and held for such purpose (after reasonable notice to the Executive and an opportunity for the Executive, together with counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, the Executive engaged in conduct set forth above and specifying the particulars thereof in reasonable detail.

(c) Termination by the Executive for Good Reason. The Executive's employment pursuant to this Agreement may be terminated by the Executive prior to the expiration of the Term in the event the Executive has "Good Reason" to terminate his employment, which shall mean the following:

(i) Any material adverse change in the Executive's status or position, including, without limitation, any material diminution in the Executive's position, duties, responsibilities or authority, as set forth in Executive's Position Description, or the assignment to the Executive of any duties or responsibilities that are inconsistent with the Executive's status or position as of the Effective Date; or

(ii) A reduction in the Executive's annual Base Salary as the same may be increased from time to time or failure to pay same; or

(iii) A reduction in the Target Bonus which could be paid to the Executive under the Bonus Plan below 50% of the Executive's Base Salary or a failure to pay when due any bonus earned for a completed performance period in accordance with the applicable bonus plan ("Earned Bonus"), provided however, that the Company's failure to actually award any bonus to the Executive, or the Company's actually awarding a bonus to the Executive which is less than the Target Bonus in each case in accordance with the applicable bonus plan, shall not constitute Good Reason; or

(iv) The breach by the Company of any of its material obligations under this Agreement; or

(v) The relocation of the Company's principal executive offices to a location that increases the Executive's commuting distance by more than thirty-five (35) miles or the Company requiring the Executive to be based anywhere other than the Company's principal executive offices, except for required travel substantially consistent with the Executive's business obligations; or

(vi) The Company provides the Executive a notice of non-renewal of the Term under Section 2(b) hereof.

Prior to the Executive being permitted to terminate his employment for Good Reason, the Company shall have sixty (60) days to cure any such alleged breach, assignment, reduction or requirement, after the Executive provides the Company written notice of the actions or omissions constituting such breach, assignment, reduction or requirement.

(d) "Change of Control" Defined. Change of Control means the following:

(i) "Board Change" which, for purposes of this Agreement, shall have occurred if, over any twenty-four month period, a majority of the seats (other than vacant seats) on the Company's Board were to be occupied by individuals who were neither (A) nominated by at least one-half (1/2) of the directors then in office (but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of either an actual or threatened election contest or other actual or threatened solicitation of proxies or consents by or on behalf of a Person (as defined herein) other than the Board) nor (B) appointed by directors so nominated, or

(ii) the acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (the "Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of a majority of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change of Control: (A) any acquisition by the Company, or (B) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (C) any public offering or private placement by the Company of its voting securities; or

(iii) a consolidation of the Company with another entity or a merger of the Company with another entity in which neither the Company nor a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity; or

(iv) a merger or consolidation of the Company following which either the Company or a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity, but a majority of the Outstanding Company Voting Securities is then owned by a Person or Persons who were not "beneficial owners" of a majority of the Outstanding Company Voting Securities immediately prior to such merger or consolidation; or

(v) a voluntary or involuntary liquidation of the Company; or

(vi) a sale or disposition by the Company of at least 80% of its assets in a single transaction or a series of transactions (other than a sale or disposition of assets to a subsidiary of the Company in a transaction not involving a Change of Control or a change in control of such subsidiary).

Transactions in which the Executive is part of the acquiring group do not constitute a Change of Control.

(e) "Disabled" Defined. As used in this Agreement, the term "disabled" means any mental or physical condition that renders the Executive unable to perform the essential functions of his position, with or without reasonable accommodation, for a period in excess of 180 days.

(f) Surrender of Records and Property. Upon termination of his employment with the Company, the Executive shall deliver promptly to the Company all records, manuals, books, lists, blank forms, documents, letters, memoranda, notes, notebooks, reports, data, tables, calculations or copies thereof that relate in any way to the business, products, practices or techniques of the Company, and all other property, trade secrets and confidential information of the Company, including, but not limited to, all documents that in whole or in part contain any trade secrets or confidential information of the Company, which in any of these cases are in his possession or under his control.

10. Effect of Termination.

(a) Termination Without Cause or for Good Reason or Upon the Company's Notice of Non-Renewal.

In the event the Company terminates the Executive's employment as the Company's Executive Vice President and Chief Scientific Officer without Cause pursuant to Section 9(a)(iv) hereof, the Executive terminates his employment for Good Reason pursuant to Section 9(c) hereof, or the Company fails to renew the Term upon the expiration thereof under Section 2(a) or the Company provides a notice of non-renewal under Section 2 hereof, then

(i) the Executive shall receive lump sum cash payment within ten (10) days after the date of termination of employment in an amount equal to one (1) year of his annual Base Salary at the time of such termination;

(ii) the Executive shall receive a lump sum cash payment within ten (10) days after the date of termination of employment in an amount equal to the Target Bonus (based on the Base Salary at the time of such termination) which would have been payable in the fiscal year which commences immediately following the date of termination;

(iii) if the Executive, and any spouse and/or dependents ("Family Members") has medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse the Executive for the total applicable premium cost for medical and dental coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, 29 U.S.C. Sections 1161-1168; 26 U.S.C. Section 4980B(f), as amended, and all applicable regulations (referred to collectively as "COBRA") for the Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination; provided, that the Company shall have no obligation to reimburse the Executive for the premium cost of COBRA coverage as of the date the Executive and his Family Members become eligible to obtain comparable benefits from a subsequent employer;

(iv) the Executive shall receive a lump sum cash payment within ten (10) days after the date of termination of employment in an amount equal to ("Accrued Obligations"): (1) any unpaid Base Salary through the date of termination, (2) any unpaid Earned Bonus for a performance period ending prior to the date of termination, (3) accrued and unpaid vacation and (4) incurred and unreimbursed business expenses;

(v) the Executive shall receive a lump sum cash payment within ten (10) days after the date of termination of employment in an amount equal to a pro rata amount of the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year during which termination occurs;

(vi) all options granted to the Executive pursuant to Section 4(e) hereof that have not vested at the time of such termination shall vest immediately upon termination;

(vii) all options granted to the Executive pursuant to Section 4(e) hereof that have vested or become vested at the time or as a result of such termination will remain exercisable until their expiration dates;

(viii) all shares of restricted stock granted to the Executive pursuant to Section 4(f) hereof that have not vested at the time of such termination shall vest immediately upon such termination; and

(ix) the Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to or as a result of the Executive's termination.

(b) Termination For Cause. In the event the Company terminates the Executive's employment as the Company's Executive Vice President and Chief Scientific Officer for Cause pursuant to Section 9(a)(iii) hereof, (i) the Executive shall be entitled to receive payment of his Accrued Obligations, (ii) the Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to the Executive's termination, (iii) all options to acquire shares in the Company held by the Executive which have vested prior to the date of the Executive's termination of employment shall remain exercisable after such termination in accordance with the terms of the relevant plans and granting instruments, (iv) all options granted to the Executive that have not vested prior to the date of the Executive's termination of employment will terminate as of the date of such termination and will be of no further force and effect; and (v) all shares of restricted stock awarded to the Executive that have not vested prior to the date of the Executive's termination of employment shall be forfeited.

(c) Death. In the event the Executive's employment with the Company is terminated as a result of the Executive's death, (i) the Executive's estate or the Executive's duly designated beneficiaries shall be entitled to payment of his Accrued Obligations; (ii) the Executive's estate or the Executive's duly designated beneficiaries shall be entitled to a pro rata amount of the Target Bonus (based on the Base Salary at the time of death) for the fiscal year in which he dies; (iii) all options to acquire shares in the Company held by the Executive which have not vested at the time of the Executive's death will continue to vest in accordance with their terms and shall remain exercisable (together with any options which had previously vested), until the earlier of (A) one year from the date of death and (B) the end of the remaining exercise term of such options; (iv) all shares of restricted stock awarded to the Executive shall fully vest; and (v) the Executive's estate or the Executive's duly designated beneficiaries shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to the Executive's death. If the Executive's Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse such Family Members for the total applicable premium cost for medical and dental coverage under COBRA for such Family Members for a period of up to twenty-four (24) months commencing on the date of such termination; provided the Company shall have no obligation to reimburse such Family Members for the premium cost of COBRA coverage as of the date they become eligible to obtain comparable benefits from another employer.

(d) Disability. Upon termination of the Executive's employment as the Company's Executive Vice President and Chief Scientific Officer on account of the Executive's disability pursuant to Section 9(a)(ii) hereof, (i) the Executive shall be entitled to payment of his Base Salary through the commencement of long term disability payments to the Executive under any plan provided or paid for by the Company and other Accrued Obligations, (ii) the Executive shall be entitled to a pro rata amount of the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year in which

his employment is terminated, (iii) the Executive shall be entitled to all compensation and benefits to which the Executive is entitled pursuant to the Company's disability policies in effect as of the date of the Executive's termination, (iv) all options to acquire shares of the Company held by the Executive which have not vested at the date of termination of employment will continue to vest in accordance with their terms, and shall remain exercisable (together with any options which had previously vested), until the earlier of (A) one year from the date of such termination of the Executive's employment and (B) the end of the remaining exercise term of such options, (v) all shares of restricted stock awarded to the Executive shall fully vest; and (vi) the Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to the Executive's termination. If the Executive and his Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse the Executive for the total applicable premium cost for medical and dental coverage under COBRA for the Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination; provided the Company shall have no obligation to reimburse the Executive and his Family Members for the premium cost of COBRA coverage as of the date they become eligible to obtain comparable benefits from another employer.

(e) Voluntary Resignation Without Good Reason or upon the Executive's Notice of Non-Renewal. In the event the Executive voluntarily terminates his employment with the Company without Good Reason, or the Executive's employment terminates following the Executive having provided the Company with a notice of non-renewal of the Term under Section 2 hereof, (i) the Executive shall be entitled to receive payment of his Accrued Obligations, (ii) the Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to the Executive's termination, (iii) all options to acquire shares of the Company held by the Executive which have vested prior to the date of such termination shall remain exercisable after such termination in accordance with the terms of the relevant plans and granting instruments, (iv) all options to acquire shares of the Company held by the Executive which have not vested prior to the date of such termination will terminate as of the date of such termination and will be of no further force and effect, and (v) all shares of restricted stock awarded to the Executive that have not vested prior to the date of the Executive's termination of employment shall be forfeited.

(f) Termination Without Cause or For Good Reason In Connection With A Change in Control. In the event the Company terminates Executive's employment as the Company's Executive Vice President and Chief Scientific Officer without Cause pursuant to Section 9(a)(iv) hereof or Executive terminates such employment for Good Reason pursuant to Section 9(c) hereof within the period which commences ninety (90) days before and ends one (1) year following a Change in Control, in lieu of the provisions of Section 10(a) or 10(e) above,

(i) Executive shall receive a lump sum cash payment within ten (10) days after the date of termination of employment in an amount equal to his Accrued Obligations plus an amount equal to the pro rated portion of the Target Bonus (based on the Base Salary at the time of such termination) which would have been payable to Executive for the fiscal year during which such termination occurs;

(ii) Executive shall receive a lump sum cash payment within ten (10) days after the date of termination in an amount equal to two (2) times the sum of the following: (1) his Base Salary at the time of such termination and (2) the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year in which such termination occurs;

(iii) if Executive and his Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse Executive for the total applicable premium cost for medical and dental coverage under COBRA for Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination and will continue to pay Executive an amount equal to such COBRA reimbursement during the six (6) month period following such initial eighteen (18) month period after such termination; provided, that the Company shall have no obligation to reimburse Executive for the premium

cost of COBRA coverage as of the date Executive and his Family Members become eligible to obtain comparable benefits from a subsequent employer;

(iv) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination.

(g) Except as otherwise specifically provided under Section 10, all payments made to the Executive under any of the subsections of this Section 10 that are based upon the Executive's salary or bonus shall be made at times and in a manner that is in accordance with the Company's standard payroll practices for senior management.

(h) Notwithstanding anything else herein to the contrary, the Executive shall not be entitled to realize or receive any termination related benefits provided for in this Section 10, including, without limitation, all post-termination payments and the acceleration of option or restricted stock or restricted stock unit vesting schedules unless the Executive shall have executed and delivered to the Company a full release (reasonably satisfactory to the Company's counsel) of all claims against the Company and its affiliates, successors and assigns.

(i) Nothing in this Agreement or in any other plan, award or agreement of the Company applicable to the Executive shall result in the reduction or limitation of (i) any payments under Section 10(f) and/or (ii) the accelerated vesting of options to acquire common stock and/or (iii) shares of restricted stock and/or restricted stock units under Section 11 or (iv) any other payments or benefits (the "Total Payments") that may be deemed to be contingent upon a change in ownership or control pursuant to Section 280G of the Internal Revenue Code ("Code"), regardless of whether the Total Payments would be subject to the excise tax imposed by Section 4999 of the Code. If the Executive does become liable for any excise tax under Section 4999 of the Code, such liability shall not entitle the Executive to any additional payments from the Company to reimburse the Executive for such tax liability. The Company shall be entitled to withhold from payments due to the Executive an amount equal to the actual amount of any excise tax under Section 4999 of the Code to which the Executive is subject, as determined by the Company's independent auditors.

(j) If and when during the Term, the Company shall adopt (or amend) a severance plan generally applicable to its executive officers (other than the Chief Executive Officer), which provides for payments and benefits upon certain events of termination of employment in connection with a change in control of the Company at levels that are greater than those provided herein under Section 10(f) or 10(i) (or provide in connection with a change in control of the Company, for lump sum or otherwise more accelerated payments than those provided for under Section 10(f)), then promptly following adoption (or amendment) of such a plan, the Company and Executive agree to negotiate in good faith an amendment to the provisions of Sections 10(f) or 10(i) to provide Executive with comparable payments and benefits upon certain events of termination or otherwise in connection with a change of control of the Company to those provided to other senior executive officers covered by such plan with the same line of reporting to the Chief Executive Officer as Executive. Notwithstanding the foregoing, it is understood that the Company may enter into individual contractual arrangements with other executives for benefits, and nothing herein shall require the Company to provide the same benefits or level of benefits to the Executive.

11. Effect of Change of Control. In the event of a Change of Control, in addition to any other consequences provided for in this Agreement:

(a) all shares of restricted stock and restricted stock units awarded to the Executive shall fully vest immediately prior to the Change of Control; and

(b) all options to acquire shares of common stock of the Company held by the Executive shall become fully vested immediately prior to the effective date of the Change of Control.

The Executive shall have a reasonable opportunity to exercise all or any portion of such options prior to the effective date of the Change of Control, and any options not exercised prior to the effective date of the Change

of Control shall terminate as of the effective date of the Change of Control and will be of no further force or effect. To the extent that this Section 11 is inconsistent with the provisions of the relevant plan and granting instruments under which such options were issued, the Company and the Executive agree that such inconsistent provisions are hereby superceded and the provisions of this Section 11 shall govern.

12. Miscellaneous.

(a) Entire Agreement. This Agreement (including the exhibits, schedules and other documents referred to herein) 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.

(b) 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.

(c) 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.

(d) Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, personal representatives and, to the extent permitted by subsection (e), successors and assigns. The Company will require its successors to expressly assume its obligations under this Agreement.

(e) 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, except that the Company may, without the consent of the Executive, assign its rights and obligations under this Agreement to any corporation, firm or other business entity with or into which the Company may merge or consolidate, or to which the Company may sell or transfer all or substantially all of its assets, or of which 50% or more of the equity investment and of the voting control is owned, directly or indirectly, by, or is under common ownership with, the Company. After any such assignment by the Company, and provided that such assignment arises by operation of law or involves an express written assumption by the assignee, the Company shall be immediately released and discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the Company for the purposes of all provisions of this Agreement.

(f) 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 the Executive shall constitute a waiver of any other right or breach by the Executive.

(g) 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:

Ivan D. Horak, M.D.
685 ROUTE 202/206
BRIDGEWATER, NJ 08807

Address for the Company:

Enzon Pharmaceuticals, Inc.
685 Route 202/206
Bridgewater, New Jersey 08807
Attn: EVP of Human Resources

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

(h) 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.

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

(j) Resolution of Certain Claims - Injunctive Relief. The Executive acknowledges that it would be difficult to fully compensate the Company for damages resulting from any breach by him of the provisions of this Agreement. Accordingly, the Executive agrees that, in addition to, but not to the exclusion of any other available remedy, the Company shall have the right to enforce the provisions of Sections 5 through 8 or 9(f) by applying for and obtaining temporary and permanent restraining orders or injunctions from a court of competent jurisdiction without the necessity of filing a bond therefor, and without the necessity of proving actual damages, and the Company shall be entitled to recover from the Executive its reasonable attorneys' fees and costs in enforcing the provisions of Sections 5 through 8 or 9(f).

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

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

(m) Survival. The provisions of Section 4(c), 4(i) and Section 10 shall survive the termination of the Executive's employment and the termination of the Agreement.

(m) Counterparts. This agreement may be executed in separate counterparts, all of which taken together shall constitute one and the same agreement.

Signatures on following page

IN WITNESS WHEREOF, the parties hereto have executed, or caused to be executed by a duly authorized representative, this Employment Agreement as of the Effective Date.

ENZON PHARMACEUTICALS, INC.

By: /s/ Jeffrey H. Buchalter

Name: Jeffrey H. Buchalter
Title: Chairman & Chief Executive Officer

/s/ Ivan D. Horak, M.D.

IVAN D. HORAK, M.D.

Exhibit A

ENZON PHARMACEUTICALS, INC.
NON-QUALIFIED STOCK OPTION CERTIFICATE & AGREEMENT

Grant Date:

Certificate No.:

SUMMARY GRANT INFORMATION	
EMPLOYEE:	
NUMBER OF SHARES:	
EXERCISE PRICE:	
PLAN:	1987 Non-Qualified Stock Option Plan, as amended (the "Plan")
OPTION TERMINATION DATE:	_____ (subject to earlier termination, as set forth in the Plan)

VESTING INFORMATION	
Date	Number of Shares at to which the Option Becomes Exercisable

In accordance with the terms and conditions of the Plan and the mutual promises and undertakings contained in the attached pages, intending to be legally bound, the parties hereto agree to the provisions set forth in the Option Terms attached hereto.

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

ENZON PHARMACEUTICALS, INC.

By:/s/ Paul Davit
Paul Davit

EMPLOYEE

/s/ Ivan D. Horak, M.D.
Signature

Executive Vice President, Human Resources 9/2/05

Date

1987 Non-Qualified Stock Option Plan
Option Terms

1. Grant of Option. The Company hereby grants Employee the right and option (the "Option") to purchase all or any part of an aggregate of the number of shares of the Company's common stock, par value $0.01 per share (the "Common Stock") set forth above, at the price per share set forth above (the "Exercise Price") on the terms and conditions set forth in this Agreement and in the Plan. It is understood and agreed that the Exercise Price is the per share Fair Market Value (as defined in the Plan) of such shares on the date of this Agreement. The Option is not intended to be an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Option is issued pursuant to the Plan and is subject to its terms. A copy of the Plan has been furnished to Employee. Employee hereby confirms he/she has received and thoroughly read the Plan. The Company invites and encourages Employee to contact any member of the Company's Human Resources Department with any questions he/she may have regarding the Plan or this Agreement.

2. Expiration. The Option shall terminate at the close of business on the termination date set forth above or earlier as is prescribed in the Plan. Employee shall not have any of the rights of a stockholder with respect to the shares subject to the Option until such shares shall be issued to Employee upon the proper exercise of the Option.

3. Vesting of Option Rights. Except as otherwise provided in the Plan, the Option shall become exercisable in portions in accordance with the schedule set forth above, provided the Employee is employed by the Company on the vesting date in question.

4. Exercise of Option after Termination of Employment. Except as otherwise set forth in the Plan, the Option shall terminate and may no longer be exercised if Employee ceases to be employed by the Company or its subsidiaries.

5. Transfer and Assignment. This Option may not be transferred except in accordance with the terms of the Plan. The terms of this Option shall be binding upon the executors, administrators, heirs, successors, and assigns of the Employee.

6. Method of Exercise of Option. The Option may be exercised in whole or in part from time to time by Employee or other proper party in accordance with the terms of the Plan by serving written notice of exercise on the Company at its principal office within the period during which the Option is exercisable as provided in this Agreement. The notice shall state the number of shares as to which the Option is being exercised and shall be accompanied by payment in full of the Exercise Price for all shares designated in the notice. Payment of the Exercise Price shall be made in cash (including bank check, personal check or money order payable to the Company), or otherwise in accordance with the Plan. This Option shall be exercised only for 100 shares of Common Stock or a multiple thereof or for the full number of shares for which the Option is then exercisable.

7. Forfeiture of Option and Option Gain Resulting From Certain Activities.

(a) IF, AT ANY TIME THAT (I) IS WITHIN TWO (2) YEARS AFTER THE DATE THAT EMPLOYEE HAS EXERCISED THE OPTION OR (II) IS WITHIN TWO (2) YEARS AFTER THE DATE OF THE TERMINATION OF EMPLOYEE'S EMPLOYMENT WITH THE COMPANY FOR ANY REASON WHATSOEVER WHILE AN OPTION AGREEMENT UNDER THE PLAN IS IN EFFECT, WHICHEVER IS LONGER, EMPLOYEE ENGAGES IN ANY FORFEITURE ACTIVITY (AS DEFINED BELOW) THEN (I) THE OPTION SHALL IMMEDIATELY TERMINATE EFFECTIVE AS OF THE DATE ANY SUCH ACTIVITY FIRST OCCURRED, AND (II) ANY GAIN RECEIVED BY EMPLOYEE PURSUANT TO THE EXERCISE OF THE OPTION GRANTED HEREUNDER MUST BE PAID TO THE COMPANY WITHIN 30 DAYS OF DEMAND BY THE COMPANY. FOR PURPOSES HEREOF, THE GAIN ON ANY EXERCISE OF THE OPTION SHALL BE DETERMINED BY MULTIPLYING THE NUMBER OF SHARES PURCHASED PURSUANT TO THE OPTION TIMES THE EXCESS OF THE FAIR MARKET VALUE OF A SHARE OF THE COMPANY'S COMMON STOCK ON THE DATE OF EXERCISE (WITHOUT REGARD TO ANY SUBSEQUENT INCREASE OR DECREASE IN THE FAIR MARKET VALUE) OVER THE EXERCISE

PRICE.

(b) AS USED HEREIN, EMPLOYEE SHALL BE DEEMED TO HAVE ENGAGED IN A FORFEITURE ACTIVITY IF EMPLOYEE (I) BREACHES ANY NON-COMPETE OR NON-DISCLOSURE AGREEMENT BETWEEN THE COMPANY AND THE EMPLOYEE OR (II) FAILS TO HOLD IN A FIDUCIARY CAPACITY FOR THE BENEFIT OF THE COMPANY ALL CONFIDENTIAL, PROPRIETARY OR TRADE SECRET INFORMATION, KNOWLEDGE AND DATA, INCLUDING RESEARCH AND DEVELOPMENT INFORMATION, FINANCIAL INFORMATION, SALES OR MARKETING INFORMATION, TECHNICAL INFORMATION CUSTOMER LISTS AND INFORMATION, BUSINESS PLANS AND BUSINESS STRATEGY ("CONFIDENTIAL DATA") RELATING IN ANY WAY TO THE BUSINESS OF THE COMPANY FOR SO LONG AS SUCH CONFIDENTIAL DATA REMAINS CONFIDENTIAL.

(c) IF ANY COURT OF COMPETENT JURISDICTION SHALL DETERMINE THAT THE FOREGOING FORFEITURE PROVISION IS INVALID IN ANY RESPECT, THE COURT SO HOLDING MAY LIMIT SUCH COVENANT EITHER OR BOTH IN TIME, IN AREA OR IN ANY OTHER MANNER WHICH THE COURT DETERMINES SUCH THAT THE COVENANT SHALL BE ENFORCEABLE AGAINST EMPLOYEE. EMPLOYEE ACKNOWLEDGES THAT THE REMEDY OF LAW FOR ANY BREACH OF THE COVENANT NOT TO COMPETE REFERENCED ABOVE WILL BE INADEQUATE TO PROTECT THE COMPANY'S INTERESTS AND COMPENSATE FOR THE HARM FLOWING FROM SUCH BREACH, AND THAT THE COMPANY SHALL BE ENTITLED, IN ADDITION TO ANY REMEDY OF LAW, TO PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF.

8. Miscellaneous.

(a) In the event that any provision of this Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(b) Neither the Plan nor this Agreement shall (i) be deemed to give any individual a right to remain an employee of the Company, (ii) restrict the right of the Company to discharge any employee, with or without cause, or (iii) be deemed to be a written contract of employment.

(c) The exercise of all or any parts of the Option shall only be effective at such time that the sale of shares of Common Stock pursuant to such exercise will not violate any state or federal securities or other laws. This Option may not be exercised if the issuance of shares of Common Stock of the Company upon such exercise would constitute a violation of any applicable Federal or state securities or other law or valid regulation. The Employee, as a condition to his or her exercise of this Option, shall represent to the Company that the shares of Common Stock of the Company that he or she acquires under this Option are being acquired by him or her for investment and not with a view to distribution or resale, unless counsel for the Company is then of the opinion that such a representation is not required under the Securities Act of 1933, as amended (the "Act") or any other applicable law, regulation, or rule of any governmental agency and shall, if the shares of Common Stock underlying this Option are not registered under the Act, acknowledge that the certificate evidencing such shares may be stamped with a restrictive legend and such shares will be "restricted securities" as defined in Rule 144 promulgated under the Act.

(d) The Company shall at all times during the term of the Option reserve and keep available such number of shares of the Company's Common Stock as will be sufficient to satisfy the requirements of this agreement.

(e) In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Employee.

(f) The Company, in its sole and absolute discretion, may allow Employee to satisfy Employee's federal and state income tax withholding obligations upon exercise of the Option by (i) having the Company withhold a portion of the shares of Common Stock otherwise to be delivered upon exercise of the Option having a Fair Market Value equal to the amount of federal and state income tax required to be withheld upon such exercise, in accordance with such rules as the Company may from time to time establish, or (ii) delivering to the Company shares of its Common Stock other than the shares issuable upon exercise of the Option with a Fair Market Value equal to such taxes, in accordance with

such rules.

Exhibit B

RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS AGREEMENT, dated as of September 2, 2005, is between Enzon Pharmaceuticals, Inc., a Delaware corporation (the "Company"), and Ivan D. Horak, M.D., an individual resident of the State of New Jersey ("Employee").

RECITALS

A. The Company wishes to grant to Employee, effective as of the date of this Agreement, an award of restricted stock units of the Company's common stock, par value $.01 per share (the "Common Stock"), on the terms and subject to the conditions set forth in this Agreement and the Company's 2001 Incentive Stock Plan, as a amended on November 12, 2003 and December 2, 2003.

B. Employee desires to accept such grant.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms have the meanings set forth below:

"Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) who or which, together with all Affiliates and Associates of such person, is the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, but shall not include the Company, or any subsidiary of the Company.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"Award" has the meaning ascribed to such term in Section 2 hereof.

"Board" means the Board of Directors of the Company.

A "Change in Control" shall mean:

(a) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than the Company or any of its subsidiaries, has become the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power of the Company's then outstanding voting securities in a transaction or series of transactions; or

(b) the "Continuing Directors" (as defined below) cease to constitute a majority of the Company's Board of Directors; or

(c) the shareholders of the Company approve:

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or

(ii) any consolidation or merger of the Company following which either the Company or a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity and a majority of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities") is owned by a Person or Persons (as defined in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) who were not "beneficial

owners" of a majority of the Outstanding Company Voting Securities immediately prior to such merger or consolidation;

other than a merger of the Company in which shareholders of the Company immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the merger; or

(d) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; or

(e) any plan of liquidation or dissolution of the Company; or

(f) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" has the meaning specified in Recital A hereof.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Continuing Director" shall mean any person who is a member of the Board of Directors of the Company, who, while such a person is a member of the Board of Directors, is not an Acquiring Person (as hereinafter defined) or an Affiliate or Associate (as hereinafter defined) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (A) was a member of the Board of Directors on the date of this Agreement or (B) subsequently becomes a member of the Board of Directors, if such person's initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors.

"Plan" means the Company's 2001 Stock Incentive Plan, as amended from time to time.

"Restricted Stock Units" means the right to receive Vested Shares upon their vesting in accordance with Section 3 below.

"Shares" means, collectively, the shares of Common Stock subject to the Award, whether or not such shares are Vested Shares.

"Vested Shares" means the Shares with respect to which the Restricted Stock Units have vested at any particular time.

2. Award. The Company, effective as of the date of this Agreement, hereby grants to Employee _____ Restricted Stock Units (the "Award") representing the right to receive _____ Vested Shares, subject to the terms and conditions set forth herein and in the Plan.

3. Vesting.

(a) Subject to the terms and conditions of this Agreement, the Restricted Stock Units awarded hereunder to Employee shall vest and become the right to receive Vested Shares in accordance with the following schedule:

On Each of the Following Dates	Percentage or Number of Shares that Vest
_____ __, 200_	__%
_____ __, 200_	__%
_____ __, 200_	__%
_____ __, 200_	__%

(b) Notwithstanding the vesting provisions contained in Section 3(a) above, but subject to the other terms and conditions set forth herein, if Employee has been continuously employed by the Company until the date of a

Change In Control of the Company, all of the Restricted Stock Units shall immediately vest on the date of such Change In Control.

(c) In the event of the disability (within the meaning of Section 22(e)(3) of the Code) or death of Employee, if Employee has been continuously employed by the Company until the date of such disability or death, Employee or his estate shall become immediately vested, as of the date of such disability or death, in all of the Restricted Stock Units subject to the Award.

(d) Except as provided in Section 3(c) and any effective employment agreements that Employee might have with the Company, if Employee ceases to be an employee for any reason prior to the vesting of the Restricted Stock Units pursuant to Sections 3(a) or 3(b) hereof, Employee's rights to all of the Restricted Stock Units (and the Shares subject to the Award) not vested on the date that Employee ceases to be an employee shall be immediately and irrevocably forfeited and the Employee will retain no rights with respect to the forfeited units.

4. Additional Restriction on Transfer of Restricted Stock Units.

The Restricted Stock Units cannot be sold, assigned, transferred, gifted, pledged, hypothecated, or in any manner encumbered or disposed of at any time prior to delivery of the Shares underlying the Restricted Stock Units after the Restricted Stock Units have vested pursuant to Section 3 above.

5. Issuance and Custody of Certificate; Representations of Employee.

(a) Subject to the restrictions in this Section 5, upon vesting of the Restricted Stock Units and following payment of any applicable withholding taxes pursuant to section 8 of this Agreement, the Company shall promptly cause to be issued and delivered to Employee a certificate or certificates evidencing such Vested Shares, free of any restrictive legends and registered in the name of Employee or in the name of Employee's legal representatives, beneficiaries or heirs, as the case may be, and shall cause such certificate or certificates to be delivered to Employee or Employee's legal representatives, beneficiaries or heirs.

(b) The issuance of any Common Stock in accordance with this Award shall only be effective at such time that the sale or issuance of Common Stock pursuant to this Agreement will not violate any state or federal securities or other laws.

(c) At any time after the vesting of the Restricted Stock Units and prior to the issuance of the Vested Shares, if the issuance of the Vested Shares to the Employee is prohibited due to limitations under this Section 5, the Company shall use its reasonable best efforts to remove such limitations, unless such limitations relate solely to Employee's personal situation. If such limitations relate solely to Employee's personal situation, the Company will use its reasonable best efforts to cooperate with the Employee in resolving such limitation.

6. Rights as Shareholder. Prior to the Restricted Stock Units vesting and Employee receiving his shares of Common Stock underlying the Restricted Stock Units pursuant to Section 5 above, Employee shall not have ownership or rights of ownership of any Common Stock underlying the Restricted Stock Units awarded hereunder. Employee shall not be entitled to receive dividend equivalents on the Restricted Stock Units awarded.

7. Distributions and Adjustments. In accordance with Section 4(C) of the Plan, the Award shall be subject to adjustment in the event that any distribution, recapitalization, reorganization, merger or other event covered by Section 4(C) of the Plan shall occur.

8. Taxes. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it in connection with this restricted stock unit award, and in order to comply with all applicable federal or state tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state income and social security taxes are withheld or collected from Employee.

9. Employee's Employment. Nothing in this Agreement shall confer upon

Employee any right to continue in the employ of the Company or any of its subsidiaries or interfere with the right of the Company or its subsidiaries, as the case may be, to terminate Employee's employment or to increase or decrease Employee's compensation at any time.

10. Notices. All notices, claims, certificates, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by nationally recognized overnight courier, by facsimile or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

(a) If to the Company, to it at:

Enzon Pharmaceuticals, Inc.
685 Route 202/206
Bridgewater, New Jersey 08807
Attn: General Counsel

(b) If to Employee, to him at such Employee's address as most recently supplied to the Company and set forth in the Company's records; or

(c) to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (i) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day), (ii) in the case of nationally-recognized overnight courier, on the next business day after the date sent, (iii) in the case of facsimile transmission, when received (or if not sent on a business day, on the next business day after the date sent), and (iv) in the case of mailing, on the third business day following the date on which the piece of mail containing such communication is posted.

11. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

12. Undertaking. Both parties hereby agree to take whatever additional actions and execute whatever additional documents either party may in their reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the other party under the provisions of this Agreement.

13. Plan Provisions Control. The Award is made subject to the terms and provisions of the Plan. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

14. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without giving effect to principles of conflicts of laws).

15. Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

16. Entire Agreement. This Agreement (and the other writings incorporated by reference herein, including the Plan) constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior or contemporaneous written or oral negotiations, commitments, representations, and agreements with respect thereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

ENZON PHARMACEUTICALS, INC.

By: /s/ Paul Davit

Name: Paul Davit
Title: Executive Vice President, Human Resources

EMPLOYEE

/s/ Ivan D. Horak, M.D.

Name: Ivan D. Horak, M.D.

[ENZON LOGO] Exhibit C

POSITION DESCRIPTION

TITLE: EXECUTIVE VICE PRESIDENT & CHIEF SCIENTIFIC OFFICER
REPORTS TO: CHAIRMAN & CEO
DEPARTMENT: RESEARCH & DEVELOPMENT
LOCATION: PISCATAWAY, NJ

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POSITION OVERVIEW:

The Executive Vice President & Chief Scientific Officer ("CSO") has the key responsibility for the conversion of scientific knowledge, technology platform research or partnering opportunities into commercially attractive and proprietary products and fuel the growth of Enzon in the marketplace, in a sustainable fashion, with the resources available. The CSO will seek to optimize the overall effectiveness and efficiency of the R&D organization in order to achieve these goals. The CSO is critically involved in assembling, maintaining and growing top talent, and provides an environment in which individuals with diverse backgrounds and expertise are challenged and excel to a high level of performance. He will also seek to minimize organizational disconnects, e.g., at interfaces to Technical Operations or Marketing.

As an Executive Officer the CSO is a key member of corporate management and contributes to all aspects of business success, including superior growth, superior financial performance, shareholder value creation and sustainability of the business.

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MAJOR POSITION ACTIVITIES & RESPONSIBILITIES:

- Defining the R&D strategy and overseeing its implementation
- Defining the technologies, in-house activities and collaborations that provide the basis for successful discoveries
- Securing, expanding and defending intellectual property
- Building, advancing and maintaining a high value, proprietary pipeline of projects according to the strategic output goal, and contribute to licensing/partnering activities
- Directing the resources to the most promising projects and maximizing R&D productivity based on metrics
- Building, leading and maintaining an organization and senior team that is capable of implementing the R&D strategy
- Full responsibility for R&D budget, including all staffing
- Foster a culture (as defined in the R&D strategy) consistent with the overall corporate culture that is driven by People who are Passionate about what they do, strive for their Performance to exceed expectations, take Pride in a job well done, and firmly believe that Promises that are made must be delivered.

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BACKGROUND QUALIFICATIONS:

- MD and/or PhD
- Solid experience and proven track record in leading an integrated pharmaceutical R&D effort on a significant scale (>$30M budget)
- Ability to lead in networked structures such as CRO relations or partnerships/alliances
- Proven track record of achievement in successfully discovering and developing commercially attractive projects through all stages of development to launch
- Thorough familiarity with therapeutic fields of interest to Enzon (now and/or in the future)
- Thorough familiarity with and a network within the medical, scientific and regulatory communities, preferably on a global scale
- Proven ability to work successfully in a culturally diverse environment

EXHIBIT 10.2

ENZON PHARMACEUTICALS, INC.
NOTICE OF GRANT OF AWARD AND AWARD AGREEMENT

RESTRICTED STOCK AWARD

GRANT DATE:

CERTIFICATE NO.:

SUMMARY GRANT INFORMATION	
RECIPIENT:	
NUMBER OF SHARES:	
GRANT DATE PRICE:	
PLAN:	2001 Incentive Stock Plan

VESTING INFORMATION

Date	Percentage of Restricted Stock Units that Vest	Number of Restricted Stock Units that Vest

In accordance with the terms and conditions of the Plan, and the mutual promises and undertakings contained in the attached pages, intending to be legally bound, the parties hereto agree to the provisions set forth in the Restricted Stock Unit Award Agreement Terms and Conditions attached hereto.

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

ENZON PHARMACEUTICALS, INC.

By:_____
Paul Davit
Executive Vice President, Human Resources

_____
Signature

_____
Date

ENZON PHARMACEUTICALS, INC.
2001 INCENTIVE STOCK PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

TERMS AND CONDITIONS

A. The Company wishes to grant to Recipient, effective as of the date of this Agreement, an award of restricted stock units of the Company's common stock, par value $.01 per share (the "Common Stock"), on the terms and subject to the conditions set forth in this Agreement and the Company's 2001 Stock Incentive Plan.

B. Recipient desires to accept such grant.

NOW, THEREFORE, in consideration of the premises and mutual covenants herein contained, the parties hereto hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms have the meanings set forth below:

"Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) who or which, together with all Affiliates and Associates of such person, is the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, but shall not include the Company, or any subsidiary of the Company.

"Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

"Award" has the meaning ascribed to such term in Section 2 hereof.

"Board" means the Board of Directors of the Company.

A "Change in Control" shall mean:

(a) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than the Company or any of its subsidiaries, has become the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power of the Company's then outstanding voting securities in a transaction or series of transactions; or

(b) the "Continuing Directors" (as defined below) cease to constitute a majority of the Company's Board of Directors; or

(c) the shareholders of the Company approve:

(i) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation; or

(ii) any consolidation or merger of the Company following which either the Company or a corporation that, prior to the merger or consolidation, was a subsidiary of the Company, shall be the surviving entity and a majority of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities") is owned by a Person or Persons (as defined in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) who were not "beneficial owners" of a majority of the Outstanding Company Voting Securities immediately prior to such merger or consolidation;

other than a merger of the Company in which shareholders of the Company immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the merger; or

(d) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; or

(e) any plan of liquidation or dissolution of the Company; or

(f) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.

"Code" means the Internal Revenue Code of 1986, as amended.

"Common Stock" has the meaning specified in Recital A hereof.

"Person" means an individual, a partnership, a corporation, a limited liability company, an association, a joint stock company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

"Continuing Director" shall mean any person who is a member of the Board of Directors of the Company, who, while such a person is a member of the Board of Directors, is not an Acquiring Person (as hereinafter defined) or an Affiliate or Associate (as hereinafter defined) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (A) was a member of the Board of Directors on the date of this Agreement or (B) subsequently becomes a member of the Board of Directors, if such person's initial nomination for election or initial election to the Board of Directors is recommended or approved by a majority of the Continuing Directors.

"Plan" means the Company's 2001 Stock Incentive Plan, as amended from time to time.

"Restricted Stock Units" means the right to receive Vested Shares upon their vesting in accordance with Section 3 below.

"Shares" means, collectively, the shares of Common Stock subject to the Award, whether or not such shares are Vested Shares.

"Vested Shares" means the Shares with respect to which the Restricted Stock Units have vested at any particular time.

2. Award. The Company, effective as of the date of this Agreement, hereby grants to Recipient 1,989 Restricted Stock Units (the "Award") representing the right to receive 1,989 Vested Shares, subject to the terms and conditions set forth herein and in the Plan.

3. Vesting.

Subject to the terms and conditions of this Agreement, the Restricted Stock Units awarded hereunder to Recipient shall vest and become the right to receive Vested Shares in accordance with the schedule indicated in the Notice of Grant of Award and Award Agreement.

(a) Notwithstanding the vesting provisions contained in Section 3(a) above, but subject to the other terms and conditions set forth herein, if Recipient has either been (1) continuously employed by the Company or (2) continuously a member of the Company's Board of Directors, until the date of a Change In Control of the Company, all of the Restricted Stock Units shall immediately vest on the date of such Change In Control.

(b) In the event of the disability (within the meaning of Section 22(e)(3) of the Code) or death of Recipient, if Recipient has either been (1) continuously employed by the Company or (2) continuously a member of the Company's Board of Directors, until the date of such disability or death, Recipient or his estate shall become immediately vested, as of the date of such disability or death, in all of the Restricted Stock Units subject to the Award.

(c) Except as provided in Section 3(c) and any effective employment agreements that Recipient might have with the Company, if Recipient ceases to be an employee or director for any reason prior to the vesting of the Restricted Stock Units pursuant to Sections 3(a) or 3(b) hereof, Recipient's rights to all of the Restricted Stock Units (and the Shares subject to the Award) not vested on the date that Recipient ceases to be an employee or director shall be immediately and irrevocably forfeited and Recipient will retain no rights with respect to the forfeited units.

4. Additional Restriction on Transfer of Restricted Stock Units.

The Restricted Stock Units cannot be sold, assigned, transferred, gifted, pledged, hypothecated, or in any manner encumbered or disposed of at any time prior to delivery of the Shares underlying the Restricted Stock Units after the Restricted Stock Units have vested pursuant to Section 3 above.

5. Issuance and Custody of Certificate; Representations of Recipient.

(a) Subject to the restrictions in this Section 5, upon vesting of the Restricted Stock Units and following payment of any applicable withholding taxes pursuant to section 8 of this Agreement, the Company shall promptly cause to be issued and delivered to Recipient a certificate or certificates evidencing such Vested Shares, free of any restrictive legends and registered in the name of Recipient or in the name of Recipient's legal representatives, beneficiaries or heirs, as the case may be, and shall cause such certificate or certificates to be delivered to Recipient or Recipient's legal representatives, beneficiaries or heirs.

(b) The issuance of any Common Stock in accordance with this Award shall only be effective at such time that the sale or issuance of Common Stock pursuant to this Agreement will not violate any state or federal securities or other laws.

(c) At any time after the vesting of the Restricted Stock Units and prior to the issuance of the Vested Shares, if the issuance of the Vested Shares to the Recipient is prohibited due to limitations under this Section 5, the Company shall use its reasonable best efforts to remove such limitations, unless such limitations relate solely to Recipient's personal situation. If such limitations relate solely to Recipient's personal situation, the Company will use its reasonable best efforts to cooperate with the Recipient in resolving such limitation.

6. Rights as Shareholder. Prior to the Restricted Stock Units vesting and Recipient receiving his shares of Common Stock underlying the Restricted Stock Units pursuant to Section 5 above, Recipient shall not have ownership or rights of ownership of any Common Stock underlying the Restricted Stock Units awarded hereunder. Recipient shall not be entitled to receive dividend equivalents on the Restricted Stock Units awarded.

7. Distributions and Adjustments. In accordance with Section 4(C) of the Plan, the Award shall be subject to adjustment in the event that any distribution, recapitalization, reorganization, merger or other event covered by Section 4(C) of the Plan shall occur.

8. Taxes. In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it in connection with this restricted stock unit award, and in order to comply with all applicable federal or state tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state income and social security taxes are withheld or collected from Recipient.

9. Recipient's Employment/Directorship. Nothing in this Agreement shall confer upon Recipient any right to continue in the employ or sit as a director of the Company or any of its subsidiaries or interfere with the right of the Company or its subsidiaries, as the case may be, to (1) if Recipient is an employee of the Company, terminate such Recipient's employment or (2) if Recipient is a member of the Company's Board of Directors to remove such Recipient from its Board of Directors or (3) to increase or decrease Recipient's compensation or fees, as the case may be at any time.

10. Notices. All notices, claims, certificates, requests, demands, and other communications hereunder shall be in writing and shall be deemed to have been duly given and delivered if personally delivered or if sent by nationally recognized overnight courier, by facsimile or by registered or certified mail, return receipt requested and postage prepaid, addressed as follows:

(a) If to the Company, to it at:

Enzon Pharmaceuticals, Inc.
685 Route 202/206
Bridgewater, New Jersey 08807
Attn: General Counsel

(b) If to Recipient, to him at such Recipient's address as most recently supplied to the Company and set forth in the Company's records; or

(c) to such other address as the party to whom notice is to be given may have furnished to the other party in writing in accordance herewith.

Any such notice or communication shall be deemed to have been received (i) in the case of personal delivery, on the date of such delivery (or if such date is not a business day, on the next business day), (ii) in the case of nationally-recognized overnight courier, on the next business day after the date sent, (iii) in the case of facsimile transmission, when received (or if not sent on a business day, on the next business day after the date sent), and (iv) in the case of mailing, on the third business day following the date on which the piece of mail containing such communication is posted.

11. Waiver of Breach. The waiver by either party of a breach of any provision of this Agreement must be in writing and shall not operate or be construed as a waiver of any other or subsequent breach.

12. Undertaking. Both parties hereby agree to take whatever additional actions and execute whatever additional documents either party may in their reasonable judgment deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on the other party under the provisions of this Agreement.

13. Plan Provisions Control. The Award is made subject to the terms and provisions of the Plan. In the event that any provision of the Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

14. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware (without giving effect to principles of conflicts of laws).

15. Counterparts. This Agreement may be executed in one or more counterparts, and each such counterpart shall be deemed to be an original, but all such counterparts together shall constitute but one agreement.

16. Entire Agreement. This Agreement (and the other writings incorporated by reference herein, including the Plan), and the Notice of Grant of Award and Award Agreement attached hereto, constitute the entire agreement between the parties with respect to the subject matter hereof and supersede all prior or contemporaneous written or oral negotiations, commitments, representations, and agreements with respect thereto.

EXHIBIT 10.3

ENZON PHARMACEUTICALS, INC.
NON-QUALIFIED STOCK OPTION CERTIFICATE & AGREEMENT

GRANT DATE:

CERTIFICATE NO.:

SUMMARY GRANT INFORMATION	
RECIPIENT:	
NUMBER OF SHARES:	
EXERCISE PRICE:	
PLAN:	1987 Non-Qualified Stock Option Plan, as amended (the "Plan")
OPTION TERMINATION DATE:	

VESTING INFORMATION	
Date	Number of Shares to which the Option Becomes Exercisable

In accordance with the terms and conditions of the Plan, and the mutual promises and undertakings contained in the attached pages, intending to be legally bound, the parties hereto agree to the provisions set forth in the Option Terms attached hereto.

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

ENZON PHARMACEUTICALS, INC.

By:_____
Paul Davit
Executive Vice President, Human Resources

_____
Signature

_____
Date

1987 Non-Qualified Stock Option Plan
Option Terms

1. Grant of Option. The Company hereby grants Recipient the right and option (the "Option") to purchase all or any part of an aggregate of the number of shares of the Company's common stock, par value $0.01 per share (the "Common Stock") set forth above, at the price per share set forth above (the "Exercise Price") on the terms and conditions set forth in this Agreement and in the Plan. It is understood and agreed that the Exercise Price is the per share Fair Market Value (as defined in the Plan) of such shares on the date of this Agreement. The Option is not intended to be an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Option is issued pursuant to the Plan and is subject to its terms. A copy of the Plan has been furnished to Recipient. Recipient hereby confirms he/she has received and thoroughly read the Plan. The Company invites and encourages Recipient to contact any member of the Company's Human Resources Department with any questions he/she may have regarding the Plan or this Agreement.

2. Expiration. The Option shall terminate at the close of business on the termination date set forth above or earlier as is prescribed in the Plan or herein. Recipient shall not have any of the rights of a stockholder with respect to the shares subject to the Option until such shares shall be issued to Recipient upon the proper exercise of the Option.

3. Vesting of Option Rights. Except as otherwise provided in Section 4 of this Agreement, the Option shall become exercisable in portions in accordance with the schedule set forth above.

4. Vesting and Exercise of Option after Termination of Directorship. Except as otherwise set forth in the Plan, the Option shall terminate and may no longer be exercised unless Recipient has served continuously as a director of the Company during the year preceding the date on which the Option is scheduled to vest and become exercisable, or from the date Recipient first became a director of the Company if Recipient joined the board of directors of the Company during such preceding year.

5. Transfer and Assignment. This Option may not be transferred except in accordance with the terms of the Plan. The terms of this Option shall be binding upon the executors, administrators, heirs, successors, and assigns of the Recipient.

6. Method of Exercise of Option. The Option may be exercised in whole or in part from time to time by Recipient or other proper party in accordance with the terms of the Plan by serving written notice of exercise on the Company at its principal office within the period during which the Option is exercisable as provided in this Agreement. The notice shall state the number of shares as to which the Option is being exercised and shall be accompanied by payment in full of the Exercise Price for all shares designated in the notice. Payment of the Exercise Price shall be made in cash (including bank check, personal check or money order payable to the Company), or otherwise in accordance with the Plan. This Option shall be exercised only for 100 shares of Common Stock or a multiple thereof or for the full number of shares for which the Option is then exercisable.

7. Miscellaneous.

(a) In the event that any provision of this Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(b) Neither the Plan nor this Agreement shall be deemed to give any individual a right to remain a director of the Company.

(c) The exercise of all or any parts of the Option shall only be effective at such time that the sale of shares of Common Stock pursuant to such exercise will not violate any state or federal securities or other laws. This Option may not be exercised if the issuance of shares of Common Stock of the Company upon such exercise would constitute a violation of any applicable Federal or state securities or other law or valid regulation. Recipient, as a condition to his or her exercise of this Option, shall represent to the Company that the shares of Common Stock of the Company that he or she acquires under this Option are being acquired by him or her for investment and not with a view to distribution or resale, unless counsel for the Company is then of the opinion that such a representation is not required under the Securities Act of 1933, as amended (the "Act") or any other applicable law, regulation, or rule of any

governmental agency and shall, if the shares of Common Stock underlying this Option are not registered under the Act, acknowledge that the certificate evidencing such shares may be stamped with a restrictive legend and such shares will be "restricted securities" as defined in Rule 144 promulgated under the Act.

(d) The Company shall at all times during the term of the Option reserve and keep available such number of shares of the Company's Common Stock as will be sufficient to satisfy the requirements of this agreement.

(e) In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Recipient.

(f) The Company, in its sole and absolute discretion, may allow Recipient to satisfy Recipient's federal and state income tax withholding obligations upon exercise of the Option by (i) having the Company withhold a portion of the shares of Common Stock otherwise to be delivered upon exercise of the Option having a Fair Market Value equal to the amount of federal and state income tax required to be withheld upon such exercise, in accordance with such rules as the Company may from time to time establish, or (ii) delivering to the Company shares of its Common Stock other than the shares issuable upon exercise of the Option with a Fair Market Value equal to such taxes, in accordance with such rules.

EXHIBIT 10.4

ENZON PHARMACEUTICALS, INC.
NON-QUALIFIED STOCK OPTION CERTIFICATE & AGREEMENT

Grant Date:

Certificate No.:

SUMMARY GRANT INFORMATION	
RECIPIENT:	
NUMBER OF SHARES:	
EXERCISE PRICE:	
PLAN:	2001 Incentive Stock Plan
TERMINATION DATE:	_____ (subject to earlier termination, as set forth below)

VESTING INFORMATION	
Date	Number of Shares at to which the Option Becomes Exercisable

In accordance with the terms and conditions of the 2001 Incentive Stick Plan (the "Plan") and the mutual promises and undertakings contained in the attached pages, intending to be legally bound, the parties hereto agree to the provisions set forth in the Option Terms attached hereto.

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

ENZON PHARMACEUTICALS, INC. RECIPIENT

By:_____ _____
Name: Name:
Title:

2001 INCENTIVE STOCK PLAN
OPTION TERMS

1. Grant of Option. The Company hereby grants Recipient the right and option (the "Option") to purchase all or any part of an aggregate of the number

of shares of the Company's common stock, par value $0.01 per share (the "Common Stock") set forth above, at the price per share set forth above (the "Exercise Price") on the terms and conditions set forth in this Agreement and in the Plan. It is understood and agreed that the Exercise Price is the per share Fair Market Value (as defined in the Plan) of such shares on the date of this Agreement. The Option is not intended to be an Incentive Stock Option within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"). The Option is issued pursuant to the Plan and is subject to its terms. A copy of the Plan has been furnished to Recipient. Recipient hereby confirms he/she has received and thoroughly read the Plan. The Company invites and encourages Recipient to contact any member of the Company's Human Resources Department with any questions he/she may have regarding the Plan or this Agreement.

2. Expiration. The Option shall terminate at the close of business on the termination date set forth above or earlier as is prescribed herein. Recipient shall not have any of the rights of a shareholder with respect to the shares subject to the Option until such shares shall be issued to Recipient upon the proper exercise of the Option.

3. Vesting of Option Rights. Except as otherwise provided in Section 5 of this Agreement, the Option shall become exercisable in portions in accordance with the schedule set forth above.

4. Exercise of Option after Termination of Employment/Directorship. The Option shall terminate and may no longer be exercised if Recipient ceases to be employed by the Company or its subsidiaries, or, in the case of a Director, ceases to sit on the Company's board of directors, except that:

(a) If Recipient's employment or directorship shall be terminated for any reason, voluntary or involuntary, other than for "Cause" (as defined in Section 6(d) hereof) or Recipient's death or disability (as set forth in Section 4(c) hereof), Recipient may at any time within a period of 12 months after such termination exercise the Option to the extent the Option was exercisable by Recipient on the date of the termination of Recipient's employment or directorship.

(b) If Recipient's employment or directorship is terminated for Cause (as defined in Section 6(d) hereof), the Option shall be terminated as of the date of termination of Recipient's employment or directorship.

(c) If Recipient shall die while the Option is still exercisable according to its terms, or if Recipient's employment or directorship is terminated because Recipient has become disabled (within the meaning of Code Section 22(e)(3)) while in the employ of the Company, or while sitting on the Company's board of directors, and Recipient shall not have fully exercised the Option, such Option may be exercised at any time within 12 months after the latter of Recipient's death or date of termination of employment or directorship for disability by Recipient, by his/her personal representatives or administrators, or by his/her guardians, as applicable, or by any person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution, to the extent of the full number of shares Recipient was entitled to purchase under the Option on the date of death or, if earlier, date of termination for such disability.

(d) Notwithstanding the above, in no case may the Option be exercised to any extent by anyone after the termination date of the Option.

5. Acceleration of Exercisability Upon Change in Control.

(a) Notwithstanding any installment or delayed exercise provision contained in this Agreement that would result in the Option becoming exercisable in full or in part at a later date, upon the occurrence of a "Change in Control" (as defined below) during the time Recipient is employed by the Company, or sits on the Company's board of directors, then all or any portion of the Option which has not vested in accordance with the terms of Section 3 of this Agreement as of the effective date of such Change in Control (the "Non-Vested Portion") shall vest immediately prior to such effective date and the Option will continue to remain exercisable in accordance with the terms herein.

(b) if the Option is continued pursuant to Section 5(a) or 10(e) hereof, and the shares of Common Stock issuable upon exercise of the Option (to the extent the Continuing Directors have not elected either of the determinations in Section 5(c) hereof) are replaced with other equity securities, such other securities must be registered under the Securities Act of 1933 and be freely transferable under all applicable federal and state securities laws and regulations. In such event, the number of shares issuable upon exercise of the Option shall be determined by using the exchange ratio used for other outstanding shares of the Company's Common Stock in connection with the Change in Control, or if there is no such ratio, an exchange ratio to be determined by the Continuing Directors, and the exercise price per share shall be adjusted accordingly so as to preserve the same economic value in the Option as existed prior to the Change in Control. Also in the event of any such Change in Control, all references herein to the Common Stock shall thereafter be deemed to refer to the replacement equity securities issuable upon exercise of the Option, references to the Company shall thereafter be deemed to refer to the issuer of such replacement securities, and all other terms of the Option shall continue in effect except as and to the extent modified by this Section 5(b).

(c) Notwithstanding any contrary provision in this Agreement or in the Plan, if a Change in Control shall occur, the Continuing Directors in their sole discretion, and without the consent of Recipient, (i) may determine that Recipient shall receive, in lieu of some or all of the shares of Common Stock subject to the Option, as of the effective date of any such Change in Control, cash in an amount equal to the excess of the Fair Market Value of such shares on the effective date of such Change in Control over the Exercise Price, subject to any applicable withholding for income or payroll taxes and/or (ii) terminate the Option to the extent it is not exercised as of the date of any such Change in Control (in which event, the holder of the Option shall be provided a reasonable opportunity to exercise all or any portion of the Option prior to the effective date of the Change in Control).

6. Definitions. For purposes hereof, the following terms shall have the definitions set forth below:

(a) "Change in Control" shall mean:

(i) the public announcement (which, for purposes of this definition, shall include, without limitation, a report filed pursuant to Section 13(d) of the Securities Exchange Act of 1934, as amended (the "Exchange Act") that any person, entity or "group", within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than the Company or any of its subsidiaries, has become the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 35% or more of the combined voting power of the Company's then outstanding voting securities in a transaction or series of transactions; or

(ii) the "Continuing Directors" (as defined below) cease to constitute a majority of the Company's board of directors; or

(iii) the shareholders of the Company approve:

(A) any consolidation or merger of the Company in which the Company is not the continuing or surviving corporation, other than a merger of the Company in which shareholders of the Company immediately prior to the merger have the same proportionate ownership of stock of the surviving corporation immediately after the merger; or

(B) any consolidation or merger of the Company following which either the Company or a corporation that, prior to the merger or

consolidation, was a subsidiary of the Company, shall be the surviving entity and a majority of the then outstanding voting securities of the Company (the "Outstanding Company Voting Securities") is owned by a Person or Persons (as defined in Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended) who were not "beneficial owners" of a majority of the Outstanding Company Voting Securities immediately prior to such merger or consolidation;

(iv) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; or

(v) any plan of liquidation or dissolution of the Company; or

(vi) the majority of the Continuing Directors determine in their sole and absolute discretion that there has been a change in control of the Company.

(b) "Continuing Director" shall mean any person who is a member of the board of directors of the Company, who, while such a person is a member of the board of directors, is not an Acquiring Person (as hereinafter defined) or an Affiliate or Associate (as hereinafter defined) of an Acquiring Person, or a representative of an Acquiring Person or of any such Affiliate or Associate, and who (A) was a member of the board of directors on the date of this Agreement or (B) subsequently becomes a member of the board of directors, if such person's initial nomination for election or initial election to the board of directors is recommended or approved by a majority of the Continuing Directors.

(c) "Acquiring Person" shall mean any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) who or which, together with all Affiliates and Associates of such person, is the "beneficial owner" (as defined in Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, of securities of the Company representing 35% or more of the combined voting power of the Company's then outstanding securities, but shall not include the Company, or any subsidiary of the Company; and "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 promulgated under the Exchange Act.

(d) For purposes of this Agreement, termination of employment or directorship for "Cause" shall mean termination by the Company (or any successor company or affiliated entity with which Recipient is then employed or sits on the board of directors) of Recipient's employment or directorship based upon (i) the willful and continued failure by Recipient substantially to perform his or her duties and obligations (other than any such failure resulting from his or her incapacity due to physical or mental illness), (ii) the Recipient's conviction or plea bargain in connection with the commission or alleged commission of any felony or gross misdemeanor involving moral turpitude, fraud or misappropriation of funds, or (iii) the willful engaging by Recipient in misconduct which causes substantial injury to the Company (or any successor company or affiliated entity with which Recipient is then employed or sits on the board of directors), its employees, directors or clients, whether monetarily or otherwise. For purposes of this paragraph, no action or failure to act on Recipient's part shall be considered "willful" unless done, or omitted to be done, by Recipient in bad faith and without reasonable belief that his or her action or omission was in the best interests of the Company (or any successor company or affiliated entity with which Recipient is then employed or sits on the board of directors).

7. Transfer and Assignment. The Option may only be transferred or assigned in accordance with subsection 10(d) of this Agreement.

8. Method of Exercise of Option. Subject to the foregoing and the other terms and conditions hereof, and provided that the sale of the Company's shares pursuant to such exercise will not violate any state or federal securities or

other laws, the Option may be exercised in whole or in part from time to time by Recipient or other proper party serving written notice of exercise on the Company at its principal office within the period during which the Option is exercisable as provided in this Agreement. The notice shall state the number of shares as to which the Option is being exercised and shall be accompanied by payment in full of the Exercise Price for all shares designated in the notice. Payment of the Exercise Price shall be made in cash (including bank check, personal check or money order payable to the Company), or, with the approval of the Company (which may be given in its sole discretion), by delivering to the Company for cancellation shares of the Company's Common Stock already owned by Recipient having a Fair Market Value equal to the full purchase price of the shares being acquired or a combination of cash and such shares.

9. Forfeiture of Option and Option Gain Resulting From Certain Activities.

(a) IF, AT ANY TIME THAT (I) IS WITHIN TWO (2) YEARS AFTER THE DATE THAT RECIPIENT HAS EXERCISED THE OPTION OR (II) IS WITHIN TWO (2) YEARS AFTER THE DATE OF THE TERMINATION OF RECIPIENT'S EMPLOYMENT WITH THE COMPANY FOR ANY REASON WHATSOEVER WHILE AN OPTION AGREEMENT UNDER THE PLAN IS IN EFFECT, WHICHEVER IS LONGER, RECIPIENT ENGAGES IN ANY FORFEITURE ACTIVITY (AS DEFINED BELOW) THEN (I) THE OPTION SHALL IMMEDIATELY TERMINATE EFFECTIVE AS OF THE DATE ANY SUCH ACTIVITY FIRST OCCURRED, AND (II) ANY GAIN RECEIVED BY RECIPIENT PURSUANT TO THE EXERCISE OF THE OPTION GRANTED HEREUNDER MUST BE PAID TO THE COMPANY WITHIN 30 DAYS OF DEMAND BY THE COMPANY. FOR PURPOSES HEREOF, THE GAIN ON ANY EXERCISE OF THE OPTION SHALL BE DETERMINED BY MULTIPLYING THE NUMBER OF SHARES PURCHASED PURSUANT TO THE OPTION TIMES THE EXCESS OF THE FAIR MARKET VALUE OF A SHARE OF THE COMPANY'S COMMON STOCK ON THE DATE OF EXERCISE (WITHOUT REGARD TO ANY SUBSEQUENT INCREASE OR DECREASE IN THE FAIR MARKET VALUE) OVER THE EXERCISE PRICE.

(b) AS USED HEREIN, RECIPIENT SHALL BE DEEMED TO HAVE ENGAGED IN A FORFEITURE ACTIVITY IF RECIPIENT (I) BREACHES ANY NON-COMPETE OR NON-DISCLOSURE AGREEMENT BETWEEN THE COMPANY AND THE RECIPIENT OR (II) FAILS TO HOLD IN A FIDUCIARY CAPACITY FOR THE BENEFIT OF THE COMPANY ALL CONFIDENTIAL, PROPRIETARY OR TRADE SECRET INFORMATION, KNOWLEDGE AND DATA, INCLUDING RESEARCH AND DEVELOPMENT INFORMATION, FINANCIAL INFORMATION, SALES OR MARKETING INFORMATION, TECHNICAL INFORMATION CUSTOMER LISTS AND INFORMATION, BUSINESS PLANS AND BUSINESS STRATEGY ("CONFIDENTIAL DATA") RELATING IN ANY WAY TO THE BUSINESS OF THE COMPANY FOR SO LONG AS SUCH CONFIDENTIAL DATA REMAINS CONFIDENTIAL.

(c) IF ANY COURT OF COMPETENT JURISDICTION SHALL DETERMINE THAT THE FOREGOING FORFEITURE PROVISION IS INVALID IN ANY RESPECT, THE COURT SO HOLDING MAY LIMIT SUCH COVENANT EITHER OR BOTH IN TIME, IN AREA OR IN ANY OTHER MANNER WHICH THE COURT DETERMINES SUCH THAT THE COVENANT SHALL BE ENFORCEABLE AGAINST RECIPIENT. RECIPIENT ACKNOWLEDGES THAT THE REMEDY OF LAW FOR ANY BREACH OF THE COVENANT NOT TO COMPETE REFERENCED ABOVE WILL BE INADEQUATE TO PROTECT THE COMPANY'S INTERESTS AND COMPENSATE FOR THE HARM FLOWING FROM SUCH BREACH, AND THAT THE COMPANY SHALL BE ENTITLED, IN ADDITION TO ANY REMEDY OF LAW, TO PRELIMINARY AND PERMANENT INJUNCTIVE RELIEF.

10. Miscellaneous.

(a) In the event that any provision of this Agreement conflicts with or is inconsistent in any respect with the terms of the Plan, the terms of the Plan shall control.

(b) Neither the Plan nor this Agreement shall (i) be deemed to give any individual a right to remain either an employee or member of the board of directors of the Company, (ii) restrict the right of the Company or its shareholders to discharge any employee or member of the board of directors, with or without cause, or (iii) be deemed to be a written contract of employment or directorship.

(c) The exercise of all or any parts of the Option shall only be effective at such time that the sale of shares of Common Stock pursuant to such exercise will not violate any state or federal securities or other laws.

(d) The Option shall not be transferred, except by will or the laws of descent and distribution to the extent provided in Section 4(c), and, except for as provided in the Plan or this Agreement, during the Recipient's lifetime the Option is exercisable only by the Recipient. Notwithstanding the foregoing, Recipient may transfer the Option to any Family Member, provided, however, that (i) Recipient may not receive any consideration for such transfer, (ii) the Family Member must agree in writing not to make any subsequent transfers of the Option other than by will or the laws of the descent and distribution and (iii) the Company receives prior written notice of such transfer. For purposes of this Section 10(d), the definition of Family Member shall be the definition adopted by the Committee administering the Plan as of the date of the attempted transfer of the Option.

(e) If there shall be any change in the Common Stock subject to the Option through merger, consolidation, reorganization, recapitalization, dividend or other distribution, stock split or other similar corporate transaction or event of the Company, appropriate adjustments shall be made by the Company in the number and type of shares (or other securities or other property) and the price per share of the shares subject to the Option in order to prevent dilution or enlargement of the Option rights granted hereunder; provided, however, that the number of shares subject to the Option shall always be a whole number.

(f) The Company shall at all times during the term of the Option reserve and keep available such number of shares of the Company's Common Stock as will be sufficient to satisfy the requirements of this agreement.

(g) In order to provide the Company with the opportunity to claim the benefit of any income tax deduction which may be available to it upon the exercise of the Option and in order to comply with all applicable federal or state income tax laws or regulations, the Company may take such action as it deems appropriate to insure that, if necessary, all applicable federal or state payroll, withholding, income or other taxes are withheld or collected from Recipient.

(h) The Company, in its sole and absolute discretion, may allow Recipient to satisfy Recipient's federal and state income tax withholding obligations upon exercise of the Option by (i) having the Company withhold a portion of the shares of Common Stock otherwise to be delivered upon exercise of the Option having a Fair Market Value equal to the amount of federal and state income tax required to be withheld upon such exercise, in accordance with such rules as the Company may from time to time establish, or (ii) delivering to the Company shares of its Common Stock other than the shares issuable upon exercise of the Option with a Fair Market Value equal to such taxes, in accordance with such rules.

EXHIBIT 31.1

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

I, Jeffrey H. Buchalter, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 of Enzon Pharmaceuticals, Inc. ("Enzon");

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; and

   (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; and

   (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.

November 9, 2005

By: /s/ Jeffrey H. Buchalter

Jeffrey H. Buchalter
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

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

I, Craig A. Tooman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended September 30, 2005 of Enzon Pharmaceuticals, Inc. ("Enzon");

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; and

   (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; and

   (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.

Date: November 9, 2005

By: /s/ Craig A. Tooman

Craig A. Tooman
Executive Vice President, Finance
and Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
SECTION 906,
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Enzon Pharmaceuticals, Inc. (the "Company") for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeffrey H. Buchalter, Chairman, President and Chief Executive 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) or15(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.

November 9, 2005 By: /s/ Jeffrey H. Buchalter

Jeffrey H. Buchalter
Chairman, President and
Chief Executive Officer
(Principal Executive Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
SECTION 906,
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Enzon Pharmaceuticals, Inc. (the "Company") for the period ended September 30, 2005 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig A. Tooman, Executive Vice President, Finance, and Chief Financial Officer of the Company, 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) or15(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.

November 9, 2005 By: /s/ Craig A. Tooman

Craig A. Tooman
Executive Vice President, Finance
and Chief Financial Officer
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350, chapter 63 of title 18, United States Code) and is not being filed as part of the Form 10-Q or as a separate disclosure document.

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