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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009
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 of incorporation)	(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 ☒ No ☐

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

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

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ Smaller Reporting Company ☐

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

Shares of Common Stock outstanding as of October 30, 2009: 45,455,683.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

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

	September 30, 2009	December 31, 2008*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 48,614	$ 79,711
Short-term investments	61,899	64,473
Accounts receivable, net of allowance for doubtful accounts of $83 at September 30, 2009 and $85 at December 31, 2008	15,199	11,692
Inventories	17,061	16,268
Other current assets	7,626	5,281
Total current assets	150,399	177,425
Property and equipment, net of accumulated depreciation of $45,895 at September 30, 2009 and $39,710 at December 31, 2008	40,623	44,585
Marketable securities	90,791	62,678
Amortizable intangible assets, net	52,514	60,654
Other assets	3,348	3,911
Total assets	$ 337,675	$ 349,253
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 6,007	$ 4,443
Notes payable	—	2,950
Accrued expenses	23,733	28,701
Total current liabilities	29,740	36,094
Notes payable	250,050	267,550
Other liabilities	4,482	3,948
Total liabilities	284,272	307,592
Commitments and contingencies		
Stockholders' equity:		
Preferred stock - $.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at September 30, 2009 and December 31, 2008	—	—
Common stock - $.01 par value, authorized 170,000,000 shares; issued and outstanding: 45,404,263 shares at September 30, 2009 and 45,031,908 shares at December 31, 2008	454	450
Additional paid-in capital	351,449	345,088
Accumulated other comprehensive income (loss)	2,481	(1,649)
Accumulated deficit	(300,981)	(302,228)
Total stockholders' equity	53,403	41,661
Total liabilities and stockholders' equity	$ 337,675	$ 349,253

* Condensed from audited 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,		Nine months ended September 30,	
	2009	2008	2009	2008
Revenues:				
Product sales, net	$ 28,618	$ 28,912	$ 88,250	$ 85,547
Royalties	13,665	14,611	41,146	44,346
Contract manufacturing	2,318	5,267	11,037	18,634
Total revenues	44,601	48,790	140,433	148,527
Costs and expenses:				
Cost of product sales and contract manufacturing	13,557	14,473	37,357	48,018
Research and development	15,805	15,654	53,783	42,489
Selling, general and administrative	13,669	18,253	46,197	52,121
Amortization of acquired intangible assets	167	167	500	500
Restructuring charges	634	249	1,610	2,392
Total costs and expenses	43,832	48,796	139,447	145,520
Operating income (loss)	769	(6)	986	3,007
Other income (expense):				
Investment income, net	1,148	1,268	3,267	4,567
Interest expense	(2,750)	(3,025)	(8,763)	(9,591)
Other, net	175	(94)	5,058	226
	(1,427)	(1,851)	(438)	(4,798)
(Loss) income before income tax	(658)	(1,857)	548	(1,791)
Income tax (benefit) provision	(791)	163	(699)	458
Net income (loss)	$ 133	$ (2,020)	$ 1,247	$ (2,249)
Earnings (loss) per common share - basic	$ 0.00	$ (0.05)	$ 0.03	$ (0.05)
Earnings (loss) per common share - diluted	$ 0.00	$ (0.05)	$ 0.03	$ (0.05)
Weighted average shares - basic	45,276	44,464	45,116	44,328
Weighted average shares - diluted	45,765	44,464	45,523	44,328

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)

	Nine months ended September 30,	
	2009	2008
Cash flows from operating activities:		
Net income (loss)	$ 1,247	$ (2,249)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	14,501	15,470
Write-down and disposal of manufacturing assets	53	810
Share-based compensation	6,026	6,362
Net loss on sale of securities available for sale	104	266
Loss on impairment of securities available for sale	—	645
Gain on redemption of notes payable	(4,848)	(371)
Write off and amortization of debt issue costs	1,113	990
Amortization of debt securities premium/discount	(1,235)	(2,531)
Changes in operating assets and liabilities	(5,159)	3,773
Net cash provided by operating activities	11,802	23,165
Cash flows from investing activities:		
Purchase of property and equipment	(2,452)	(6,199)
Purchase of product rights	(5,000)	—
Proceeds from sale of marketable securities	30,645	66,564
Purchase of marketable securities	(91,803)	(106,816)
Maturities of marketable securities	40,880	132,380
Net cash (used in) provided by investing activities	(27,730)	85,929
Cash flows from financing activities:		
Proceeds from exercise of common stock options	476	983
Proceeds from employee stock purchase plan	407	718
Issuance of shares pursuant to employee stock purchase plan	(450)	(700)
Redemption of notes payable	(15,602)	(72,020)
Net cash used in financing activities	(15,169)	(71,019)
Net (decrease) increase in cash and cash equivalents	(31,097)	38,075
Cash and cash equivalents at beginning of period	79,711	40,053
Cash and cash equivalents at end of period	$ 48,614	$ 78,128

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

(1) Organization and Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared from the books and records of Enzon Pharmaceuticals, Inc. and its subsidiaries (Enzon or the Company) in accordance with United States generally accepted accounting principles (GAAP) for interim financial information and Rule 10-01 of the U.S. Securities and Exchange Commission (SEC) Regulation S-X. Accordingly, these financial statements 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 about contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include the valuation of accounts receivable, inventories, certain investments, intangible assets and other long-lived assets, legal and contractual contingencies and assumptions used in the calculation of share-based compensation and income taxes. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis considering historical experience, the current economic environment and other factors that management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates. Moreover, interim results are not necessarily indicative of the results that may be expected for the year. Changes in estimates will be reflected in the financial statements in future periods. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included in these financial statements. Certain prior-year amounts have been reclassified to conform to the current period presentation. 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 year ended December 31, 2008.

The Company has evaluated subsequent events through the time of filing these financial statements with the SEC on November 3, 2009.

(2) New Accounting Standards

Effective July 1, 2009, the Company adopted the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC or Codification), "Generally Accepted Accounting Principles - Overall" (ASC 105-10). The Codification established one source for all U.S. GAAP. The Codification supersedes, but does not change, all then-existing non-SEC accounting and reporting standards. Throughout this report, references provided to applicable portions of the Codification also include reference to the original FASB standard (SFAS), staff position (FSP) or consensus of the Emerging Issues Task Force (EITF).

During the quarter ended June 30, 2009, the Company adopted the provisions of ASC 320-10-65-1, "Investments - Debt and Equity Securities" (FSP FAS 115-2) related to recognition and presentation of other-than-temporary impairments of debt securities. Also, during the quarter ended June 30, 2009, the Company adopted the provisions of ASC Subtopic 820-10 (FSP FAS 157-4), related to the determination of fair value when the volume and level of activity for an asset or liability have significantly decreased and ASC paragraph 825-10-65-1, regarding interim disclosures about fair value of financial instruments (FSP FAS 107-1 and APB 28-1). The adoption of these new rules had no material effect on the Company's financial position or results of operations.

During the quarter ended June 30, 2009, the Company adopted the provisions of ASC 855-10, "Subsequent Events - Overall" (SFAS No. 165). The statement establishes general standards by which to account for and disclose events that occur after the balance sheet date but before financial statements are issued or are available to be issued. The adoption of the new standard had no material effect on the Company's financial statements.

Effective January 1, 2009, the Company adopted the provisions of ASC 820-10, Fair Value Measurements and Disclosures – Overall" related to nonrecurring fair value measurements of nonfinancial assets and nonfinancial liabilities (SFAS No. 157), as provided for by ASC paragraph 820-10-50-8A (FSP FAS 157-2). The full adoption of ASC 820-10 had no material effect on the Company's financial statements.

On January 1, 2009, a number of accounting rules became effective that may have future implications to the Company including: ASC Topic 805 (SFAS No. 141R), related to business combinations; ASC Subtopic 810-10-15 related to noncontrolling interests in consolidated financial statements (SFAS No. 160) and accounting for collaborative arrangements (EITF 07-1); and ASC 815-40-15-15 (EITF 07-5) related to determining whether an instrument is indexed to an entity's own stock. These new rules did not have any effect on the Company's results of operations, financial position or cash flows. Their prospective application to existing or future transactions, assets or liabilities of the Company could potentially be significant but such impact, if any, cannot be determined at this time.

(3) Investments and Marketable Securities

The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's investments by major security type at September 30, 2009 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
Corporate debt	$ 132,734	$ 1,524	$ (84)	$ 134,174
U.S. government-sponsored entities debt	5,753	83	—	5,836
Non-U.S. government debt	7,704	26	—	7,730
Auction rate securities	870	—	(551)	319
Other	3,743	888	—	4,631
	$ 150,804	$ 2,521	$ (635)	$ 152,690

* Includes short-term investments of $61,899 and marketable securities of $90,791 at September 30, 2009.

The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's investments by major security type at December 31, 2008 were as follows (in thousands):

	Amortized Cost	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value*
Corporate debt	$ 121,492	$ 223	$ (1,893)	$ 119,822
Auction rate securities	3,555	—	(138)	3,417
Other	3,765	451	(304)	3,912
	$ 128,812	$ 674	$ (2,335)	$ 127,151

* Includes short-term investments of $64,473 and marketable securities of $62,678 at December 31, 2008.

Corporate, U.S. government-sponsored entities and non-U.S. government debt investments are classified as available for sale. All but one auction rate security as of December 31, 2008 were classified as available for sale. During the first quarter of 2009, the available-for-sale auction rate securities were sold leaving one in a long-term hold-to-maturity classification as of September 30, 2009. Other securities include investments of participants in the Company's Executive Deferred Compensation Plan (predominantly cash and mutual fund shares) totaling $4.0 million as of September 30, 2009 and $3.5 million as of December 31, 2008. There is a non-current liability that offsets the aggregate deferred compensation plan assets. In addition, other securities included $0.6 million and $0.4 million of corporate equity securities as of September 30, 2009 and December 31, 2008, respectively.

The table below indicates the fair value measurements employed as of September 30, 2009 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1) *	Significant Other Observable Inputs (Level 2) *	Total
Corporate debt	$ 134,174	$ —	$ 134,174
U.S. government-sponsored entities debt	5,836	—	5,836
Non-U.S. government debt	7,730	—	7,730
Auction rate securities	—	319	319
Other	4,631	—	4,631
	$ 152,371	$ 319	$ 152,690

* Hierarchy level pursuant to ASC paragraph 820-10-50-2 relating to disclosure of fair value measurements (SFAS No. 157).

Maturities of marketable debt securities, excluding securities related to the Company's Executive Deferred Compensation Plan, at September 30, 2009 were as follows (in thousands):

Twelve-Month Periods Ending September 30,	Amortized Cost	Fair Value
2010	$ 60,624	$ 61,229
2011	34,993	35,366
2012	50,574	51,145
After 2014	870	319
	$ 147,061	$ 148,059

The Company realized a net gain of less than $0.1 million during the quarter ended September 30, 2009 from the sale of company-owned investments. For the nine months ended September 30, 2009, there was a realized net loss of $0.1 million. This was comprised of a $0.3 million net loss on sales of investments in the deferred compensation plan which was partially offset by a gain of $0.2 million on sales of Company-owned investments. The sales from the deferred compensation plan primarily resulted when the investment vehicles available to plan participants were changed.

The following table shows the gross unrealized losses and fair values 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 loss position at September 30, 2009 (in thousands):

	Less Than 12 Months		12 Months or Greater	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
Corporate debt	$ 9,499	$ (51)	$ 2,683	$ (33)

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

As of September 30, 2009, the Company's holdings of corporate debt securities included approximately $0.1 million of unrealized losses. The Company invests in higher quality instruments and does not perceive problems with the credit-worthiness of any specific issuer. The changes in the market value of these investments are due to changes in interest rates and not necessarily the credit quality of the issuer. Furthermore, the Company does not intend to dispose of these securities before recovery of their cost basis nor is it more likely than not that the Company will be required to do so. Accordingly, the Company does not consider any of its investments in corporate debt to be other-than-temporarily impaired at September 30, 2009 and there has been no recognition of an unrealized loss in earnings.

The Company has one investment in auction rate securities with an original cost basis of $1.5 million that, beginning in the latter half of 2007, ceased to have successful auctions. For a number of reasons, including the length of time the security had been illiquid and a downgrade in the credit rating of the issuer's securities, the Company wrote down this investment during 2008 to the estimated fair value of the instrument at that time of $0.9 million, recognizing an impairment loss of $0.6 million in earnings.

At April 1, 2009, upon adoption of ASC paragraph 320-10-65-1 (FSP FAS 115-2), an estimate of expected cash flows from this investment holding in auction rate securities was made and discounted to a present value using historical interest rates. It was determined that there continues to be an other-than-temporary impairment of this investment as measured from its original cost basis and the amount previously recognized in earnings was a reasonable measure of the credit loss incurred. On April 1, 2009, the Company did not intend to dispose of this security before recovery of its cost basis nor was it more likely than not that the Company would be required to do so. Accordingly, no further recognition of impairment loss was considered necessary at April 1, 2009. As of September 30, 2009, there is a $0.6 million unrealized loss related to this auction rate security, measured from the book basis, which is included as part of accumulated other comprehensive income. The Company will continue to monitor this instrument and the expected cash flows to be derived from it. It is reasonably possible that the Company's estimate of expected cash flows to be received could change based on the financial condition of the issuer or macroeconomic conditions and some or all of the amount currently reported in accumulated other comprehensive income could be recognized in earnings at some future date. As of September 30, 2009, however, the Company does not consider it necessary to recognize any additional impairment loss in earnings. There has been no adjustment to or change in the estimated amount of the credit loss associated with the Company's holdings of auction rate securities since April 1, 2009 that would have affected earnings. The Company does not intend to dispose of this security before recovery of its cost basis nor is it more likely than not that the Company will be required to do so. This auction rate security is classified in long-term marketable securities based upon the Company's intent.

(4) Accounts Receivable and Inventories

As of September 30, 2009, the Company recorded an accrual for prior-period chargebacks claimed by certain wholesalers which are currently under dispute by the Company. The disputed chargebacks were withheld by the wholesalers when remitting payment against current invoices which had the effect of increasing outstanding accounts receivable balances. Of the disputed amounts, an accrual was established totaling approximately $1.0 million, lowering accounts receivable and third-quarter 2009 product revenues by that amount. The Company is in the process of reviewing these disputed chargeback claims. The disputed claims have had no effect on the Company's allowance for doubtful accounts.

As of September 30, 2009 and December 31, 2008 inventories consisted of the following (in thousands):

	September 30, 2009	December 31, 2008
Raw materials	$ 9,763	$ 9,714
Work in process	2,843	3,913
Finished goods	4,455	2,641
	$ 17,061	$ 16,268

The September 30, 2009 inventory includes reserves of approximately $1.4 million and $1.3 million against all of our contract manufacturing raw materials and finished goods inventories, respectively, related to the injectable vitamin, MVI. The reserves became necessary as a result of cancellations of several shipments of the product by the customer during the third quarter of 2009. The higher overall inventory balances as of September 30, 2009, net of the MVI reserves, is a reflection of lower-than-normal levels of inventory on hand at December 31, 2008 due in large part to timing of Oncaspar shipments.

(5) Intangible Assets

Intangible assets consist of the following (in thousands):

	September 30, 2009				December 31, 2008		
	Cost	Accumulated Amortization	Net	Remaining Useful Lives[1]	Cost	Accumulated Amortization	Net
Oncaspar							
Marketing rights	$ 54,008	$ 25,241	$ 28,767	5.27 years	$ 54,008	$ 21,015	$ 32,993
Technology rights	17,500	6,463	11,037	4.75 years	17,500	4,713	12,787
DepoCyt							
Marketing rights	12,186	8,226	3,960	3.25 years	12,186	7,312	4,874
Abelcet							
Patents	15,000	6,250	8,750	5.25 years	15,000	5,000	10,000
SCA							
Patents	1,875	1,875	—	—	1,875	1,875	—
	$ 100,569	$ 48,055	$ 52,514	5.0 years	$ 100,569	$ 39,915	$ 60,654

[1] Weighted average remaining useful lives.

Amortization of intangibles amounted to $2.7 million for each of the three-month periods ended September 30, 2009 and September 30, 2008 with $2.5 million being charged to cost of product sales and contract manufacturing. For the nine months ended September 30, 2009 and September 30, 2008, amortization charges were $8.1 million and $9.8 million, respectively, with $7.6 million and $9.3 million, respectively, classified as cost of product sales and contract manufacturing. Amortization for the nine months ended September 30, 2008, includes $1.9 million amortization of the newly recognized Oncaspar-related license rights. This adjusted the carrying amount of the intangible asset to recognize benefit derived from the payment over the prior term of the agreement. The remaining $3.1 million of the Oncaspar-related license rights are being amortized over the remaining term.

Useful lives of intangibles are based on a number of factors including the Company's expected use of the asset or related assets and the potential for renewal or extension, where applicable. The costs of renewal or extension, if material, would be capitalized and amortized.

(6) Notes Payable

The table below reflects the composition of the notes payable balances as of September 30, 2009 and December 31, 2008 (in thousands):

	September 30, 2009	December 31, 2008
Current		
4% Convertible Senior Notes due June 1, 2013	$ —	$ 2,950
Long-Term		
4% Convertible Senior Notes due June 1, 2013	$ 250,050	$ 267,550

The 4% notes mature on June 1, 2013, unless earlier redeemed, repurchased or converted. They are senior unsecured obligations and rank equal to all future senior unsecured debt of the Company. The notes may be converted at the option of the holders into the Company's common stock at a conversion price of $9.55 per share. The fair value of the 4% Convertible Senior Notes payable as of September 30, 2009 is $262.6 million. Fair value of the Company's note is based on quoted market prices.

At any time on or after June 1, 2009, if the closing price of the Company's common stock for at least 20 trading days in the 30-consecutive-trading-day period ending on the date one day prior to the date of a notice of redemption is greater than 140 percent of the applicable conversion price on the date of such notice, the Company, at its option, may redeem the 4% notes in whole or in part, at a redemption price in cash equal to 100 percent of the principal amount of the 4% notes to be redeemed, plus accrued and unpaid interest, if any, to the redemption date. The 4% notes were not redeemable prior to June 1, 2009. Upon occurrence of a "fundamental change", as defined in the indenture governing the 4% notes, holders of the notes may require the Company to redeem the notes at a price equal to 100% of the principal amount plus accrued and unpaid interest or, in certain cases, to convert the notes at an increased conversion rate based on the price paid per share of the Company's common stock in the transaction constituting the fundamental change. As of the date of this filing, the redemption provisions have not been triggered.

During the quarter ended March 31, 2009, the Company repurchased $20.4 million principal amount of its 4% notes at a discount to par resulting in a net gain of approximately $4.5 million net of the write-off of deferred offering costs.

Interest on the 4% notes is payable on June 1 and December 1 of each year. Accrued interest amounted to $3.3 million and $0.9 million as of September 30, 2009 and December 31, 2008, respectively.

(7) Comprehensive Income (Loss)

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

	Three months ended September 30,		Nine months ended September 30,	
	2009	2008	2009	2008
Net income (loss)	$ 133	$ (2,020)	$ 1,247	$ (2,249)
Other comprehensive income (loss):				
Unrealized gain (loss) on securities that arose during the period *	1,228	(2,776)	3,443	(4,072)
Currency translation adjustment *	381	(66)	583	(102)
Reclassification adjustments *:				
Impairment loss included in net loss	—	—	—	645
(Gain) loss on sale of securities	(53)	266	104	266
Total other comprehensive income (loss)	1,556	(2,576)	4,130	(3,263)
Comprehensive income (loss)	$ 1,689	$ (4,596)	$ 5,377	$ (5,512)

* Information has not been tax-effected due to an estimated annual effective tax rate of zero.

(8) Supplemental Cash Flow Information

The Company considers all highly liquid investment securities with original maturities of three months or less to be cash equivalents. For each of the nine-month periods ended September 30, 2009 and 2008, there were payments of interest on the Company's notes payable of $5.2 million and $7.5 million, respectively. Income tax payments for the nine months ended September 30, 2009 and 2008, were $0.2 million and $2.4 million, respectively.

During the second quarter of 2008, the Company accrued a liability of $5.0 million for an incremental payment made to Sanofi-Aventis in the first quarter of 2009 for achievement of a specified level of Oncaspar sales.

(9) Earnings Per Common Share

Basic earnings per common share is computed by dividing the net income (loss) available to common stockholders by the weighted average number of shares of common stock outstanding during the period. Restricted stock awards and restricted stock units (collectively, nonvested shares) are not considered to be outstanding shares until the service vesting period has been completed. For purposes of calculating diluted earnings per common share, the denominator includes both the weighted average number of shares of common stock outstanding and the number of common stock equivalents if the inclusion of such common stock equivalents is dilutive. Dilutive common stock equivalents potentially include stock options and nonvested shares using the treasury stock method, shares issuable under the employee stock purchase plan (ESPP) and the number of shares issuable upon conversion of the Company's convertible notes payable. In the case of notes payable, the diluted earnings per share calculation is further affected by an add-back of interest to the numerator under the assumption that the interest would not have been incurred if the notes payable were converted into common stock.

Diluted earnings (loss) per common share reported for each quarterly and year-to-date period ended September 30, 2009 and 2008 is the same as basic earnings (loss) per common share. Any potentially dilutive shares were either too few to have a dilutive effect or, in loss periods, were excluded from the computation of diluted loss per common share, as the effect was antidilutive. For the three months ended September 30, 2009 and 2008, potentially dilutive common stock equivalents were 36.2 million and 38.2 million shares, respectively. For the nine months ended September 30, 2009 and 2008, potentially dilutive common stock equivalents were 35.3 million and 39.6 million shares, respectively.

(10) Restructuring

During the third quarter 2009, management initiated a workforce reduction program at its Indianapolis, Indiana production facility which resulted in the separation in October 2009 of 15 employees at an estimated cost of $0.6 million. This amount was probable and estimable and was accrued as of September 30, 2009 and will be fully paid out by the end of the third quarter of 2010. The total cost of this restructuring program has been charged to the Contract Manufacturing segment.

During the first quarter of 2009, the Company undertook a reduction in workforce involving the termination of 20 employees. Most areas of the company were affected by this headcount reduction, including sales and marketing, general and administrative and research and development. The costs of severance and related benefits for employees affected by the first-quarter 2009 workforce reduction amounted to approximately $1.0 million during the first quarter of 2009 and were recorded in the Products segment and corporate and other expense. As of September 30, 2009, approximately $0.2 million remained in accrued expenses related to this program which is expected to be fully paid out by the end of 2009.

During 2008, manufacturing operations were consolidated in the Company's Indianapolis location and its South Plainfield, New Jersey location was decommissioned. Restructuring costs associated with the manufacturing consolidation program were fully accrued as of December 31, 2008. There was a liability in accrued expenses as of December 31, 2008 for unpaid employee separation and related benefits related to this program of $1.2 million which was fully paid out as of September 30, 2009. There were no adjustments made.

The Company incurred the following costs in connection with its restructuring programs during the three months and nine months ended September 30, 2009 and 2008 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Employee termination costs - 2009 programs	$ 634	$ —	$ 1,610	$ —
Employee termination costs - manufacturing consolidation	—	—	—	1,524
Write-down of manufacturing assets	—	191	—	810
Other	—	58	—	58
Restructuring	$ 634	$ 249	$ 1,610	$ 2,392

The Company's use of the South Plainfield facility has ended, but it continues to incur monthly rental costs related to the facility aggregating $0.2 million annually which the Company recognizes in general and administrative expense. The Company may incur additional restructuring charges associated with the lease or its termination prior to its contractual expiration in October 2012.

(11) Share-Based Compensation

Stock Option and Nonvested Share Awards

During the three-month periods ended September 30, 2009 and 2008, the Company recognized share-based compensation expense of $1.8 million and $2.0 million, respectively, relating to stock option and nonvested share awards. During the nine-month periods ended September 30, 2009 and 2008, the Company recognized share-based compensation expense of $5.9 million and $6.2 million, respectively, for these plans. These amounts were recorded in the same expense categories in the interim consolidated statement of operations as the underlying employee compensation. The weighted average grant price of the options granted was $6.23 per share and fair values ranged from $2.24 to $3.32 per share. The fair value of the options granted during the nine months ended September 30, 2009 was $0.9 million. The nonvested shares granted during the nine months had a weighted average grant-date fair value of $7.69 per share for an aggregate fair value of $0.6 million. The Company uses historical data to estimate forfeiture rates. Activity in options and nonvested shares during the nine months ended September 30, 2009 and related balances outstanding as of that date are reflected below (in thousands).

	Options	Nonvested Shares
Outstanding at January 1, 2009	8,372	1,760
Granted	361	82
Exercised and vested	(4)	(553)
Expired and forfeited	(322)	(96)
Outstanding at September 30, 2009	8,407	1,193
Options vested and expected to vest at September 30, 2009	7,947	
Options exercisable at September 30, 2009	6,836	

As of September 30, 2009, there was $3.1 million of unrecognized compensation cost related to unvested options that the Company expects to recognize over a weighted-average period of 10 months and $5.1 million of unrecognized compensation cost related to nonvested shares expected to be recognized over a weighted-average period of 12 months.

Employee Stock Purchase Plan

For the nine months ended September 30, 2009, compensation expense recognized for the employee stock purchase plan (ESPP) was $0.1 million which was recorded in the same expense categories in the interim consolidated statement of operations as the underlying employee compensation. For the nine months ended September 30, 2008, ESPP compensation expense was $0.2 million. Amounts withheld from participants are classified as cash from financing activities in the cash flow statement and as a liability in the balance sheet until such time as shares are purchased. Issuance of shares under the ESPP during the nine months ended September 30, 2009 amounted to 65,904 shares.

(12) Income Taxes

During the three months and nine months ended September 30, 2009, the Company recorded a net tax benefit of $0.8 million and $0.7 million, respectively, which includes $0.5 million related to the Housing Assistance Act of 2008 that contained a provision allowing corporate taxpayers to make an election to treat certain unused research and alternative minimum tax credit carryforwards as refundable in lieu of claiming bonus and accelerated depreciation for “eligible qualified property” placed in service through the end of 2008. The net current year tax benefit also reflects a reduction of $0.4 million to foreign taxes payable due to a transfer price adjustment, Canadian tax liabilities and an adjustment to taxes payable. During the three months and nine months ended September 30, 2008, the Company recorded a net tax expense of $0.2 million and $0.5 million, respectively, representing state and Canadian tax liabilities as well as an adjustment to taxes payable due to a provision-to-return adjustment for 2007 final Federal tax filings. The Company did not recognize a U.S. Federal income tax provision for any of these periods as the estimated annual effective tax rate is zero. As of September 30, 2009, the Company continues to provide a valuation allowance against its net deferred tax assets since the Company believes it is more likely than not its deferred tax assets will not be realized.

(13) Segment Information

The Company operates in the following business and reportable segments:

Products - The Products segment performs the manufacturing, marketing and selling of pharmaceutical products for patients with cancer and other life-threatening diseases. The Company has developed or acquired four therapeutic products approved by the U.S. Food and Drug Administration focused primarily in oncology and other life-threatening diseases. The Company’s four proprietary marketed brands are Oncaspar, DepoCyt, Abelcet and Adagen. The Company currently markets its products through its specialized U.S. sales force that calls upon specialists in oncology, hematology, infectious disease and other critical care disciplines.

Royalties - The Company receives royalties on the manufacture and sale of products that utilize its proprietary technology. Royalty revenues are currently derived from sales of products that use the Company’s PEGylation platform, namely PEGINTRON marketed by Schering-Plough, Macugen marketed by OSI Pharmaceuticals, Inc. and Pfizer Inc., Pegasys marketed by Hoffmann-La Roche and CIMZIA marketed by UCB Pharma. The Company’s royalties from Pegasys, which amounted to $1.4 million during the nine months ended September 30, 2009 ended in October 2009.

Contract Manufacturing - The Company utilizes a portion of its excess manufacturing capacity to provide manufacturing services for third parties. It manufactures Abelcet for export and MYOCET, both for Cephalon France SAS as well as other products. The Company’s contract with Hospira for the manufacture of MVI is scheduled to terminate effective April 30, 2010. However, during the third quarter of 2009, we ceased further processing of MVI subject to a dispute between the companies. The Company’s agreements with Cephalon for manufacture of MYOCET and Abelcet were due to expire in January 2010 and November 2011, respectively. In August 2009, however, the agreements were amended for a term through July 2014.

The performance of each of the Company's segments is monitored by the Company's chief operating decision maker, the President and Chief Executive Officer. Segment profit is measured based on operating results, excluding investment income, interest expense and income taxes. The Company's research and development expense is considered a corporate expense until a product candidate enters Phase III clinical trials at which time related costs would be chargeable to the Company's operating segments. The Company does not identify or allocate property and equipment by operating segment, and does not allocate depreciation to the operating segments. Operating segments do not have intersegment revenue, and accordingly, there is none to be reported.

The following tables present segment revenues and profitability information for the three-month and nine-month periods ended September 30, 2009 and 2008 (in thousands):

Three months ended September 30,

Segment		Products	Royalties	Contract Manufacturing	Corporate[1]	Consolidated
Revenues	2009	$ 28,618	$ 13,665	$ 2,318	$ —	$ 44,601
	2008	$ 28,912	$ 14,611	$ 5,267	$ —	$ 48,790
Profit (loss)	2009	$ 9,327	$ 13,665	$ (3,083)	$ (20,567)	$ (658)
	2008	$ 5,994	$ 14,611	$ 1,182[2]	$ (23,644)[2]	$ (1,857)

Nine months ended September 30,

Segment		Products	Royalties	Contract Manufacturing	Corporate[1]	Consolidated
Revenues	2009	$ 88,250	$ 41,146	$ 11,037	$ —	$ 140,433
	2008	$ 85,547	$ 44,346	$ 18,634	$ —	$ 148,527
Profit (loss)	2009	$ 22,123	$ 41,146	$ (120)	$ (62,601)	$ 548
	2008	$ 13,269	$ 44,346	$ 5,983[2]	$ (65,389)[2]	$ (1,791)

(1) Corporate expenses include operating (loss) income components that are not directly attributable to an operating segment, including general and administrative expenses, treasury activities and exploratory, preclinical and clinical research and development not specifically identifiable with existing marketed products or product candidates that have not entered phase III clinical trials.

(2) Reflects the reclassification of $68,000 of 2008 third-quarter and $245,000 of 2008 nine-month to-date general and administrative expense from corporate to contract manufacturing to be consistent with the 2009 presentation.

Following is a reconciliation of segment profit to consolidated (loss) income before income tax (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Segment profit	$ 19,909	$ 21,787	$ 63,149	$ 63,598
Unallocated operating expense	(19,140)	(21,793)	(62,163)	(60,591)
Operating income (loss)	769	(6)	986	3,007
Other corporate expense	(1,427)	(1,851)	(438)	(4,798)
(Loss) income before income tax	$ (658)	$ (1,857)	$ 548	$ (1,791)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

We are a biopharmaceutical company dedicated to developing, manufacturing and commercializing important medicines for patients with cancer and other life-threatening conditions. We operate in three business segments: Products, Royalties and Contract Manufacturing. We have a portfolio of four marketed products, Oncaspar, our oncology product for the first-line treatment of patients with acute lymphoblastic leukemia (ALL); DepoCyt, for the treatment of lymphomatous meningitis; Abelcet, for the treatment of invasive fungal infections; and Adagen, for the treatment of severe combined immunodeficiency disease. Our drug development programs utilize several cutting-edge technologies, including our industry-leading PEGylation technology platform and the Locked Nucleic Acid (LNA) technology. Our PEGylation technology was used to develop two of our products, Oncaspar and Adagen, and has created a royalty revenue stream from licensing partnerships for other products developed using the technology. We also engage in contract manufacturing for other pharmaceutical companies to broaden our revenue base.

Results of Operations

Three-Month and Nine-Month Periods Ended September 30, 2009 and 2008

Overview

For the three months ended September 30, 2009, the Products and Royalties segments were profitable whereas the Contract Manufacturing segment experienced a loss. Corporate and other expenses declined in comparison with the three months ended September 30, 2008. This resulted in a pretax operating loss of $0.7 million for the third quarter of 2009 compared to a $1.9 million loss for the three months ended September 30, 2008. In the Products segment, revenues were relatively flat compared to the prior year three-month period primarily as a result of an accrual for prior-period chargebacks claimed by certain wholesalers which are currently under dispute by the Company. Improvements in both cost of sales and selling and marketing expenses served to generate the majority of the Products segment profit for the quarter. Royalty revenues in the third quarter of 2009 were lower when compared to the same quarter of 2008 primarily due to lower sales of PEGINTRON. Contract manufacturing revenues and earnings were negatively affected primarily by our MVI processing operations. Because of the customer rejection of a number of batches, no shipments were made during the third quarter of 2009 and a write-down of finished goods and raw material inventories related to the product was recorded.

On a nine-month year-to-date basis, we recognized a pretax operating income of $0.5 million in 2009 compared to a loss of $1.8 million in 2008. Products segment profit rose during 2009 compared to the corresponding nine-month period of 2008 due to a 3 percent growth in sales and combined reductions in cost of sales and selling and marketing expense partially offset by higher spending on research and development. Lower royalties in the first nine months of 2009 than in the first nine months of 2008 and a loss in contract manufacturing profitability offset the rise in Products segment profits. Lower corporate and other expenses in the nine-month comparison contributed to the overall improvement in pretax earnings. A net gain of $4.5 million on the repurchase of notes payable during the first quarter of 2009 favorably affected the results while spending on corporate research and development rose.

Greater analysis of operating results on a segment-by-segment basis follows. Percentage changes below and throughout this Management's Discussion and Analysis are based on thousands of dollars and not the rounded millions of dollars reflected throughout this section.

Following is a reconciliation of segment profit (loss) to consolidated (loss) income before income tax (millions of dollars):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Products segment profit	$ 9.3	$ 5.9	$ 22.1	$ 13.2
Royalties segment profit	13.6	14.6	41.1	44.3
Contract manufacturing segment (loss) profit	(3.0)	1.3	(0.1)	6.1
Corporate and other expenses*	(20.6)	(23.7)	(62.6)	(65.4)
(Loss) income before income tax	$ (0.7)	$ (1.9)	$ 0.5	$ (1.8)

* We do not allocate certain corporate income and expenses not directly identifiable with the respective segments, including general and administrative expenses, treasury activities and exploratory and preclinical research and development expenses. Research and development expense is considered a corporate expense unless it relates to an existing marketed product or a product candidate enters Phase III clinical trials at which time related costs would be chargeable to our operating segments.

Products Segment

Products segment profitability (millions of dollars):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	% Change	2008	2009	% Change	2008
Revenues	$ 28.7	(1)	$ 28.9	$ 88.3	3	$ 85.5
Cost of sales	8.9	(16)	10.4	27.1	(24)	35.6
Research and development	4.4	(3)	4.5	19.5	67	11.7
Selling and marketing	5.9	(21)	7.6	18.8	(15)	22.1
Amortization	0.2	—	0.2	0.5	—	0.5
Restructuring charge	—	(100)	0.3	0.3	(83)	2.4
Segment profit	$ 9.3	55	$ 5.9	$ 22.1	67	$ 13.2

Revenues

Sales performance of individual products is provided below (millions of dollars):

	Three Months Ended September 30,			Nine Months Ended September 30,		
Product	2009	% Change	2008	2009	% Change	2008
Oncaspar	$ 12.5	—	$ 12.5	$ 40.6	7	$ 38.0
DepoCyt	2.1	(4)	2.2	7.2	10	6.5
Abelcet	5.7	(15)	6.6	17.1	(16)	20.3
Adagen	8.4	10	7.6	23.4	13	20.7
Totals	$ 28.7	(1)	$ 28.9	$ 88.3	3	$ 85.5

Net product sales for the three months ended September 30, 2009 were relatively unchanged from the same period in 2008. Sales of our oncology product, Oncaspar rose approximately 9 percent due to volume during the quarter when compared to the prior year while an accrual for chargebacks of $0.9 million offset this increase in the quarter. At September 30, 2009, we recorded an accrual for prior-period chargebacks claimed by certain wholesalers which are currently under dispute by us. An accrual was established totaling approximately $1.0 million primarily related to Oncaspar. We are in the process of reviewing these disputed chargeback claims. Depending upon the outcome of the review, we may incur an additional charge or we may reverse all or a portion of the current accrual. Adagen rose 10 percent, due to timing of orders, and Abelcet declined 15 percent, because of competition, in the September three-month year-to-year comparisons.

On a year-to-date basis, total net product sales grew by 3 percent, led by Oncaspar which rose 7 percent compared to the same period of 2008 and Adagen which rose 13 percent. The overall 2009 year-to-date growth in sales of Oncaspar is reflective of its continuing expansion in the pediatric ALL market and adoption in adult and young adult populations. Sales of DepoCyt and Adagen tend to fluctuate from period-to-period given their very small targeted patient populations, although both products benefited from a January 2009 price increase. Abelcet continues to experience both competitive and pricing pressures in the marketplace from other therapeutics. Abelcet sales were down 7 percent due to volume declines and approximately 9 percent due to lower average selling price in 2009 year to date compared to the same period of 2008.

Legislation related to government-allowed pricing may have an adverse effect on our future sales although we cannot estimate what the effect may be at this time.

Cost of sales

Cost of sales of marketed products declined to $8.9 million, or 31 percent of sales for the three months ended September 30, 2009 compared to $10.4 million, or 36 percent of sales, for the comparable three-month period of 2008. Adversely affecting the 2008 margins was the write-off of certain batches of Oncaspar during the third quarter of 2008 amounting to approximately $2.0 million related to the transfer of technology and consolidation of activities at our Indianapolis, Indiana facility (see Restructuring). Cost of sales of marketed products for the first nine months of 2009 was 31 percent of sales compared to 41 percent in the first nine months of 2008. The improvements in gross margin period-over-period, reflect in large part efficiencies derived across all products from the consolidation of our manufacturing facilities. There was also a favorable effect on gross margins attributable to product mix. In addition, during the first nine months of 2009, we wrote off certain Adagen inventory due to the identification of some batches trending to go out of specification prior to expiration of their shelf life and provided replacement product to customers. These events amounted to approximately $0.5 million and negatively affected margins. The first nine months of 2008 amounts included $1.9 million immediate amortization of a $5.0 million licensing intangible milestone payment that was triggered during that period.

Research and development

Research and development spending on marketed products, primarily Oncaspar and Adagen, was lower in the third quarter of 2009 than in the prior-year third quarter by $0.1 million. On a year-to-date basis, research and development rose $7.8 million to $19.5 million in 2009 from $11.7 million the previous year. We continue our programs to improve the manufacturing processes and pharmaceutical properties of both Oncaspar and Adagen and are now working towards commercial approval. As previously reported, we have transferred the cell line and will complete the transfer of manufacturing of L-asparaginase to our own subcontractor by the beginning of 2010. We will continue to invest in programs to enhance and secure the supply of Oncaspar and Adagen.

Selling and marketing expenses

Selling and marketing expenses consist primarily of sales and marketing personnel, other commercial expense and marketing programs to support our sales force as well as medical affairs activities. Selling and marketing expenses for the three months ended September 30, 2009 were $5.9 million, down 21 percent from $7.6 million in the third quarter of 2008. Year-to-date, selling and marketing expenses decreased 15 percent to $18.8 million in 2009 from $22.1 million in 2008. The decreases resulted from our continued selective spending in the selling and marketing programs and, in part, from the first-quarter 2009 restructuring, discussed below.

Restructuring

As part of our continued efforts to streamline operations, we undertook a reduction in our Products segment workforce during the first quarter of 2009. The $0.3 million cost of the restructuring will be fully paid out by the end of 2009.

During 2008, manufacturing operations were consolidated in the Company's Indianapolis location and its South Plainfield, New Jersey location was decommissioned. Restructuring costs associated with the manufacturing consolidation program were fully accrued as of December 31, 2008. As of September 30, 2009, the balance of the accrued expenses for unpaid employee separation and related benefits related to this program was fully paid out. There were no adjustments made during the first nine months of 2009.

The Company incurred the following costs in the Products Segment in connection with its restructuring programs during the three months and nine months ended September 30, 2009 and September 30, 2008 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Employee termination costs - 2009 program	$ —	$ —	$ 283	$ —
Employee termination costs - manufacturing consolidation	—	46	—	1,524
Write-down of manufacturing assets	—	203	—	810
Other	—	—	—	58
Restructuring	$ —	$ 249	$ 283	$ 2,392

Royalties Segment

(millions of dollars)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	% Change	2008	2009	% Change	2008
Royalty revenue	$ 13.6	(6)	$ 14.6	$ 41.1	(7)	$ 44.3

Revenues

Royalty revenue declined 6 percent due primarily to PEGINTRON royalties which declined 8 percent during the three months ended September 30, 2009 compared to the third quarter of 2008. As reported by Schering-Plough Corporation, the decline in PEGINTRON sales was primarily attributable to a 6 percent unfavorable impact of foreign exchange. For the nine months ended September 30, 2009, the year-over-year decline in royalty revenues was 7 percent. In addition to declining royalty revenues from PEGINTRON sales, royalties from Pegasys and Macugen decreased in the nine months ended September 30, 2009 compared first nine months of 2008; Pegasys due to timing of shipments and Macugen as a result of competition. PEGINTRON, on a year-to-date basis has been affected by both adverse effects of foreign exchange and lower sales in the U.S. Our royalties from Pegasys, which amounted to $1.4 million during the nine months ended September 30, 2009 ended in October 2009.

PEGINTRON received a recommendation for approval as a treatment in addition to surgery in patients with metastatic melanoma from the U.S. Food and Drug Administration (FDA) Advisory Committee. In October 2009, Schering-Plough received a complete response letter from the FDA to the company's supplemental Biologics License Application regarding PEGINTRON for this indication. Schering-Plough will work closely with the FDA to respond to outstanding concerns related to the PEGINTRON melanoma filing.

Costs and expenses

Royalty revenues do not require any material specific maintenance costs. At some point in the future, costs associated with initiation of new out-licensing agreements that could result in our receipt of a royalty stream and, if necessary, costs necessary to maintain the underlying technology may be charged to the Royalties segment.

Contract Manufacturing Segment

Contract manufacturing segment profitability (millions of dollars):

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	% Change	2008	2009	% Change	2008
Revenues	$ 2.3	(56)	$ 5.3	$ 11.0	(41)	$ 18.7
Cost of sales	4.7	18	4.0	10.3	(17)	12.4
General and administrative	—	—	—	0.2	—	0.2
Restructuring	0.6	n.m.	—	0.6	n.m.	—
Segment (loss) profit	$ (3.0)	(361)	$ 1.3	$ (0.1)	(102)	$ 6.1

n.m. – not meaningful

Revenues

Contract manufacturing revenue for the three months ended September 30, 2009 was $2.3 million, a decrease of 56 percent from the $5.3 million generated in the comparable three-month period of 2008. There were no shipments of the injectable vitamin, MVI, during the current quarter as a result of the customer's rejection of a number of prior batches. This accounted for essentially the entire decline in contract manufacturing revenues for the period when compared to the prior year. For the nine months ended September 30, 2009, contract manufacturing revenues were down 41 percent to $11.0 million. The year-to-date reduction in contract manufacturing revenues was largely attributable to the third-quarter absence of sales of MVI, but other customer revenues were down as well. Abelcet for export and Myocet both experienced lower volumes during the current year nine-month period compared to the first nine months of 2008. The comparative decrease in year-to-date contract manufacturing revenue also was partly attributable to revenue recognized in the first quarter of 2008 for non-routine services for design work for existing customers.

Our contract for MVI is scheduled to terminate effective April 30, 2010, however, we have ceased processing of the product due to a dispute with the customer. Further revenues from our processing of MVI are unlikely. Our agreements with Cephalon France SAS regarding the manufacture of MYOCET and Abelcet were due to expire in January 2010 and November 2011, respectively. In August 2009, however, these agreements were amended for a term through July 2014.

Cost of sales

Cost of sales for contract manufacturing for the three months ended September 30, 2009 was $4.7 million, in excess of total net sales for the period. Cost of sales for contract manufacturing for the comparable three-month period of 2008 was $4.0 million or 76 percent of sales. We provided reserves of approximately $1.4 million and $1.3 million against raw materials and finished goods inventories, respectively, of MVI during the third quarter of 2009 as a result of the cancellations of MVI shipments discussed above. In addition, unfavorable variances related to the lack of processing of MVI adversely affected third-quarter 2009 margins. For the nine months ended September 30, 2009, cost of sales as a percent of sales was approximately 93 percent, significantly higher than the 67 percent of sales experienced for the nine months ended September 30, 2008 primarily as a result of the cancellations of the MVI shipments. Offsetting this adverse effect somewhat, cost of sales for the first nine months of 2008, as a percentage of sales, was favorably affected by the above-referenced non-routine services which contributed $0.9 million of revenues. These services were performed in 2007 but recognition was delayed until all criteria for revenue recognition were met.

Restructuring

As a result of declining revenues in the contract manufacturing business and the imminent termination of the MVI contract (see above), we have taken a number of actions to control costs including, among other things, the elimination of temporary workers and a reduction in our manufacturing-related workforce. In connection with the reduction in manufacturing-related workforce, we recorded a restructuring charge of $0.6 million in the third quarter of 2009. No additional charges are expected in connection with this reduction in force. The charge represents separation payments, taxes and related benefits. The full amount was in accrued expenses as of September 30, 2009 and is expected to be fully expended by the end of the third quarter of 2010.

Non-U.S Revenue

During the three months ended September 30, 2009, we had export sales and royalties on export sales of $18.4 million, of which $11.5 million were in Europe. This compares to $17.5 million of export sales in the comparable three-month period of 2008, of which $11.4 million were in Europe.

We had export sales and royalties on export sales of $54.4 million and $58.2 million, of which $32.9 million and $39.2 million were in Europe, for the nine months ended September 30, 2009 and 2008, respectively.

Corporate and Other Expense

(millions of dollars)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	% Change	2008	2009	% Change	2008
Research and development	$ 11.4	3	$ 11.2	$ 34.3	11	$ 30.8
General and administrative	7.7	(28)	10.7	27.1	(9)	29.8
Restructuring	—	—	—	0.7	n.m.	—
Other (income) expense:						
Investment income, net	(1.2)	(9)	(1.3)	(3.3)	(28)	(4.6)
Interest expense	2.8	(9)	3.0	8.8	(9)	9.6
Other, net	(0.1)	n.m.	0.1	(5.0)	n.m.	(0.2)
	1.5	(23)	1.8	0.5	(91)	4.8
Corporate and other expenses	$ 20.6	(13)	$ 23.7	$ 62.6	(4)	$ 65.4

n.m. – not meaningful

Research and development.

For the three months ended September 30, 2009, research and development expenses increased 3 percent to $11.4 million as compared to $11.2 million for the three months ended September 30, 2008. For the nine-month period ended September 30, 2009, research and development expenses increased 11 percent to $34.3 million. We initiated a Phase II study for our PEG-SN38 in metastatic colorectal cancer patients that opened for enrollment in June. We also continue to evaluate dosage in our Phase I studies for the HIF-1 alpha antagonist and Survivin antagonist. The second quarter of 2008 spending included $2.0 million in milestone payments related to the LNA platform. We continue to advance our research and development programs in areas such as PEG-SN38, the HIF-1 alpha antagonist and other LNA- and PEGylation- based programs. We anticipate increased levels of research and development expenses for the full year 2009 when compared to 2008 due in part to the recognition of a $2.0 million milestone payment which is expected to become payable as well as increased clinical activities during the fourth quarter of 2009.

General and administrative.

General and administrative expense decreased to $7.7 million for the three months ended September 30, 2009 from $10.7 million in the three months ended September 30, 2008. The third-quarter 2008 amounts were higher than usual due to approximately $2.7 million of expenses related to strategic initiatives being pursued at that time. This included the then considered spin-off of our biotechnology business and sale of our specialty pharmaceuticals business, including our manufacturing facility. Benefiting 2009, we are experiencing some efficiencies from our recent restructuring initiatives. For the nine months ended September 30, 2009, general and administrative spending decreased to $27.1 million from $29.8 million in the comparable prior-year period. The nine-month 2008 cost of strategic initiatives amounted to approximately $3.8 million. These strategic initiative costs were not experienced during the nine months ended September 30, 2009, thus improving the period-over-period comparison. There were, however, some partially offsetting legal costs incurred

during 2009 associated with a proposed shareholder consent solicitation and related litigation. Current-year general and administrative spending is lower due in part to the benefits derived from the first-quarter 2009 restructuring. Offsetting these improvements were the cost of certain organizational and administrative enhancements, including the establishment of a business development function and the post-implementation costs of a newly developed enterprise resource planning (ERP) computer software system. In addition, costs associated with the site at South Plainfield, New Jersey have begun to be recognized in general and administrative expense (previously included in cost of sales) since production activities at that location ceased in late 2008. Such costs include security, utilities, insurance and monthly rental related to the South Plainfield facility.

Restructuring.

Corporate restructuring costs associated with the 2009 workforce reduction amounted to $0.7 million during the first quarter of 2009. This represents severance and related costs of terminated employees in general and administrative areas as well as research and development. We may experience additional restructuring charges associated with the South Plainfield lease or its termination prior to its contractual expiration in October 2012.

Other (income) expense.

Other (income) expense includes: net investment income, interest expense and other income or expense. Other (income) expense for the three months ended September 30, 2009 was net expense of $1.5 million, as compared to net expense of $1.8 million for the three months ended September 30, 2008. On a year-to-date basis, 2009 other (income) expense items resulted in net expense of $0.5 million, compared to $4.8 million of net expense in 2008.

Net investment income was largely unchanged for the quarter ended September 30, 2009 at $1.2 million compared to $1.3 million the year earlier. On a year-to-date basis, net investment income declined 28 percent to $3.3 million. In general, year-to-date investment returns are lower because of reduced average investment holdings resulting from retirements and repurchases of notes payable over the past two years coupled with overall market conditions. Investment income in the nine months ended September 30, 2008 was adversely affected by the second-quarter 2008 impairment write-down of an auction rate security of $0.6 million.

Interest expense, which includes amortization of deferred debt issue costs, was $2.8 million and $8.8 million for the three-month and nine-month periods ended September 30, 2009 compared to $3.0 million and $9.6 million for the three-month and nine-month periods ended September 30, 2008, respectively. The reduction in interest expense resulted from the declining balance of 4% Convertible Senior Notes due in 2013 and elimination of the 4.5% Convertible Subordinated Notes that came due in July 2008.

During the first quarter of 2009, we repurchased $20.4 million principal amount of our 4% notes at a discount to par yielding a gain of $4.8 million (reflected in nine-months Other, net year-to-date) exclusive of the write-off of related deferred debt offering costs of $0.3 million (reflected in interest expense).

Income taxes

During the three months and nine months ended September 30, 2009, we recorded a net tax benefit of $0.8 million and $0.7 million, respectively, which includes $0.5 million related to the Housing Assistance Act of 2008 which contained a provision allowing corporate taxpayers to make an election to treat certain unused research and alternative minimum tax credit carryforwards as refundable in lieu of claiming bonus and accelerated depreciation for “eligible qualified property” placed in service through the end of 2008. The net current year tax benefit also reflects a reduction of $0.4 million to foreign taxes payable due to a transfer price adjustment, Canadian tax liabilities and an adjustment to taxes payable. During the three months and nine months ended September 30, 2008, we recorded a net tax expense of $0.2 million and $0.5 million, respectively, representing state and Canadian tax liabilities as well as an adjustment to taxes payable due to a provision-to-return adjustment for 2007 final Federal tax filings. We did not recognize a U.S. Federal income tax provision for any of these periods as the estimated annual effective tax rate is zero.

Liquidity and Capital Resources

Total cash reserves, which include cash, cash equivalents, short-term investments and marketable securities, were $201.3 million as of September 30, 2009, as compared to $206.9 million as of December 31, 2008. In addition to purchases of property and equipment during the first nine months of the year, the

reduction in cash reserves resulted from the repurchase of $20.4 million principal amount of our 4% notes payable for $15.6 million and payment of a $5.0 million milestone obligation in January 2009 (see below). Net cash provided by operating activities partially offset these outflows. We invest our excess cash primarily in investment-grade corporate debt securities.

Operating activities constituted a source of cash of $11.8 million during the nine months ended September 30, 2009 as compared to a $23.2 million source of cash in the prior year nine-month period. Net income for the nine months ended September 30, 2009, adjusted for non-operating and noncash items such as depreciation, amortization and share-based compensation yielded approximately $17.0 million compared to approximately $19.4 million generated in the nine months ended September 30, 2008. In addition, changes in balance sheet operating assets and liabilities utilized approximately $5.2 million of cash in the first nine months of 2009 as contrasted with a $3.8 million source of cash in the first nine months of 2008. Inventory and accounts receivable balances were higher at September 30, 2009 than at December 31, 2008. Accounts receivable balances generally returned to more normal levels at September 30, 2009 after having been reduced significantly at December 31, 2008 due in large part to timing of Oncaspar shipments. The accounts receivable balance at September 30, 2009 is somewhat elevated due to certain wholesalers claiming prior period chargebacks through offsets against their current remittances to us. We dispute and are currently reviewing the wholesalers' claims.

Cash was used in investing activities in the first nine months of 2009 in the approximate amount of $27.7 million due primarily to net investments in marketable securities and a payment of $5.0 million to Sanofi-Aventis in January 2009. The $5.0 million was a milestone payment accrued for in 2008 resulting from Oncaspar net sales in the U.S. and Canada having exceeded $35.0 million for two consecutive years. During the first nine months of 2008, $85.9 million was provided by investing activities as marketable securities matured or were liquidated primarily to enable the repurchase of our 4.5% notes payable (see financing activities below). In addition, in the nine-month periods ended September 30, 2009 and 2008, we invested $2.5 million and $6.2 million in plant and equipment, respectively.

Repurchase of $20.4 million principal amount of the 4% notes payable for a cash outlay of $15.6 million constituted the primary financing cash outflows during the first nine months of 2009. During the first nine months of 2008, repayment of $72.4 million principal amount of our 4.5% notes payable required a cash outlay of $72.0 million, again representing the majority of financing activities.

As of September 30, 2009, we had outstanding $250.0 million of convertible senior notes payable that bear interest at an annual rate of 4%. Interest is payable on June 1 and December 1. Accrued interest on the notes was $3.3 million and $0.9 million, respectively as of September 30, 2009 and December 31, 2008.

Included in our marketable securities at September 30, 2009 is an investment in auction rate securities carried at a fair value of $0.3 million. Difficulties in the auction rate securities marketplace have raised concerns about the liquidity of such investments. This investment has experienced failed auctions since late 2007 and was written down to its current book value of $0.9 million from its original cost basis of $1.5 million in 2008 by an impairment charge to earnings of $0.6 million. Upon adoption of ASC paragraph 320-10-65-1 (FSP FAS 115-2) in the second quarter of 2009, we estimated the expected cash flows from this investment holding and discounted the result to a present value using historical interest rates. We determined that there continues to be an other-than-temporary impairment of this investment as measured from its original cost basis and the amount previously recognized in earnings is a reasonable measure of the credit loss incurred. Accordingly, no further recognition of impairment loss was considered necessary at that time.

As of September 30, 2009, there is a $0.6 million unrealized loss measured from the book basis which is included as part of accumulated other comprehensive income. We will continue to monitor this instrument and the expected cash flows to be derived from it. It is reasonably possible that our estimate of expected cash flows to be received could change based on the financial condition of the issuer or macroeconomic conditions and some or all of the amount currently reported in accumulated other comprehensive income could be recognized in earnings as an expense at some future date. As of September 30, 2009, however, we do not consider it necessary to recognize any additional impairment loss in earnings. There has been no adjustment to or change in the amount of the credit loss associated with our holdings of auction rate securities since April 1, 2009 that would have affected earnings. We do not intend to dispose of this security before recovery of its cost basis nor is it more likely than not that we will be required to do so. This auction rate security is classified in long-term marketable securities based upon the Company's intent.

Our current sources of liquidity are our cash reserves; interest earned on such cash reserves; product sales; royalties earned, which are primarily related to sales of PEGINTRON; and contract manufacturing revenue. Based upon our current 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 near future. While we believe that our current sources of liquidity will be adequate to satisfy our capital and operational needs for the near future, we may enter into agreements with collaborators with respect to the development and commercialization of products that could increase our cash requirement or we may seek additional financing 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, 2009, we were not involved in any SPE transactions.

Our 4% notes payable are convertible into shares of our common stock at a conversion price of $9.55 per share and pose a reasonable likelihood of potential significant dilution. The potential dilutive effect of conversion of the 4% notes is 26.2 million shares (in the absence of a fundamental change as defined in the indenture agreement). Notes payable are discussed in greater detail in Liquidity and Capital Resources above and in the notes to our condensed consolidated financial statements.

In addition, stock options to purchase 8.4 million shares of our common stock at a weighted average exercise price of $ 11.10 per share and 1.2 million restricted stock units were outstanding at September 30, 2009 that represent additional potential dilution.

Contractual Obligations

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

In June 2009, we gave notice of intent to terminate our license agreement with Natimmune A/S for their compound, rhMBL, a protein therapeutic we had been developing for the prevention and treatment of severe infections in individuals undergoing chemotherapy or liver transplantation. There are no significant costs associated with this termination other than the wind-down and completion of previously initiated clinical trials.

During the first quarter of 2009, we repurchased $20.4 million principal amount of our 4% notes for $15.6 million.

Other than these events, there have been no material changes 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 December 31, 2008.

Critical Accounting Policies and Estimates

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

Our consolidated financial statements are presented in accordance with accounting principles that are generally accepted in the United States (GAAP). All accounting standards effective as of September 30, 2009 have been taken into consideration in preparing the consolidated financial statements. The preparation of the consolidated financial statements requires estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Some of those estimates are subjective and complex, and consequently, actual results could differ from those estimates. The following accounting policies have been highlighted as critical because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

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

Revenues

Revenues from product sales are recognized when title passes to the customer, generally at the time product is received. For product sales, we record a provision at the time of shipment for estimated future credits, chargebacks, sales discounts, rebates and returns. These sales provision accruals, except for rebates which are recorded as a liability, are presented as a reduction of the accounts receivable balances.

We recognize revenues for Abelcet at the time of sale to the wholesaler. Sales of Oncaspar and DepoCyt are recorded when product shipped by our third-party distributor to the end-user is received. Adagen is sold directly to a specialty distributor that then sells the product to end-users. We recognize revenue for Adagen upon sale to the specialty distributor.

We provide chargeback payments to wholesalers 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. We estimate the amount of the chargeback that will be paid using (a) distribution channel information obtained from certain of our wholesalers which allows us to determine the amount and expiry of inventory in the distribution channel and (b) historical trends, adjusted for current conditions. 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 that administer various programs, such as the U.S. Medicaid programs, 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. In determining the appropriate accrual amount, we use (a) distribution channel information obtained from certain of our wholesalers which allows us to determine the amount and expiry of inventory in the distribution channel, (b) our historical rebate and administrative fee payments by product as a percentage of our historical sales and (c) any significant changes in sales trends. 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 lag time between sale and payment of a rebate, which can range up to nine months, and the level of reimbursement by state agencies.

The following is a summary of gross-to-net sales reductions that are accrued on our consolidated balance sheets as of September 30, 2009 (in thousands):

	Chargebacks[1]	Cash Discounts[1]	Other (Including Returns)	Medicaid Rebates[2]	Medicaid Administrative Fees[2]	Total
Balance at December 31, 2008	$ 2,468	$ 192	$ 2,359	$ 2,165	$ 37	$ 7,221
Provision related to sales made in current year[3]	17,891	1,454	3,084	2,941	387	25,757
Provision related to sales made in prior years[4]	919	—	—	—	—	919
Returns and credits[5]	(16,876)	(1,429)	(3,470)	(2,012)	(359)	(24,146)
Balance at September 30, 2009	$ 4,402	$ 217	$ 1,973	$ 3,094	$ 65	$ 9,751

[1] Reported as a reduction of accounts receivable.

[2] Reported as an accrued liability.

[3] Approximately 79 percent relates to Abelcet.

[4] Certain wholesalers have claimed recovery of chargebacks relating to prior years. We are attempting to gather more information in an effort to resolve these claims. Because of the potential that a portion of the claims will be shown to be valid, we have established a reserve as of September 30, 2009. The amount shown as relating to prior years is an estimate based on preliminary data. Upon final resolution of these disputed claims, adjustment will be made to this provision.

[5] Relates to sales made in the current period.

Other than as disclosed in footnote (4) above, there were no revisions to the estimates for gross-to-net sales adjustments that were material to income from operations for the nine months ended September 30, 2009.

Royalties under our license agreements with third parties are recognized when reasonably determinable and earned through the sale of the product by the licensee net of future credits, chargebacks, sales discount rebates and refunds and collection is reasonably assured. Notification from the third-party licensee of the royalties earned under the license agreement is the basis for royalty revenue recognition. This information is generally received from the licensees in the quarter subsequent to the period in which the sales occur.

Revenues from contract manufacturing are recognized when title passes to the customer, generally at time of shipment. At the request of the customer, certain contract manufacturing arrangements involve the transfer of title of the finished product to the customer prior to shipment. The product in question is manufactured to the unique specifications of the customer and cannot be used to fill other orders. If all necessary conditions are met, including: the product is complete and ready for shipment, the risks of ownership have passed to the customer and the customer pays for storage of the product at our facility, we will recognize revenue.

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. Non-refundable payments received upon entering into license and other collaborative agreements where we have continuing involvement are recorded as deferred revenue and recognized ratably over the estimated service period.

Income Taxes

Using the asset and liability method of accounting for income taxes, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between 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 more likely than not that some portion or all of the deferred tax assets will not be realized. We believe, based on future projections, that it is more likely than not that our net deferred tax assets, including our net operating losses from operating activities and stock option exercises, will not be realized. We recognize the benefit of an uncertain tax position that we have taken or expect to take on the income tax returns we file if it is more likely than not that we will be able to sustain our position.

Long-Lived Assets Impairment Analysis

Long-lived assets, including amortizable intangible assets are tested for impairment when impairment indicators are present. Impairment indicators are events or circumstances that may be indicative of possible impairment such as a significant adverse change in legal factors or in business climate, a current period operating loss combined with a history of operating losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset or asset group.

Testing for the recoverability of amortizable intangible assets is performed initially by comparing the carrying amount of the asset group to the future undiscounted net cash flows to be generated by the assets. If the undiscounted net cash flow stream exceeds the carrying amount, no further analysis is required. However, if this test shows a negative relationship, the fair value of the assets within the asset group must be determined and we would record an impairment charge for any excess of the carrying amount over the fair value. These evaluations involve amounts and forecasts that are based on management’s best estimates and judgment. Actual results may differ from these estimates.

Share-Based Payment

Compensation cost, measured by the fair value of the equity or liability instruments issued, adjusted for estimated forfeitures, is recognized in the financial statements as the respective awards are earned. The impact that share-based payment awards will have on our results of operations is a function of the number of shares awarded, vesting and the trading price of our stock at date of grant, combined with the application of the Black-Scholes valuation model. 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. Expected volatility is based on historical Enzon stock price information.

Factors That May Affect Future Results

There are forward-looking statements contained herein, which can be identified by the use of forward-looking terminology such as the words “believes,” “expects,” “may,” “will,” “should”, “potential,” “anticipates,” “plans” or “intends” and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results, events or developments to be materially different from the future results, events or developments indicated in such forward-looking statements. Such factors include, but are not limited to:

- The risk that we will not achieve success in our research and development efforts, including clinical trials conducted by us or our collaborative partners.
- The risk that we will experience operating losses for the next several years.
- The risk that there will be a decline in sales of one or more of our marketed products or products sold by others from which we derive royalty revenues. Such sales declines could result from increased competition, loss of patent protection, pricing, supply shortages and/or regulatory constraints.
- The risk that we will be unable to obtain critical compounds used in the manufacture of our products at economically feasible prices or at all, or one of our key suppliers will experience manufacturing problems or delays.
- Decisions by regulatory authorities regarding whether and when to approve our regulatory applications as well as their decisions regarding labeling and other matters could affect the commercial potential of our products or developmental products.
- The risk that our internal manufacturing will experience failures in production, facility inspections or approvals that result in increased costs, delays in product manufacturing or product recalls.
- The risk that we will fail to obtain adequate financing to meet our future capital and financing needs.
- The risk that key personnel will leave the Company.

A more detailed discussion of these and other factors that could affect our results is contained in our filings with the SEC, including our Annual Report on Form 10-K for the year ended December 31, 2008. These factors should be considered carefully and readers are cautioned not to place undue reliance on such forward-looking statements. No assurance can be given that the future results covered by the forward-looking statements will be achieved. All information contained herein is as of the date of this report and we do not intend to update this information.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The majority of our holdings of financial instruments consists of corporate debt securities classified as securities available-for-sale. Apart from custodial accounts related to the Executive Deferred Compensation Plan, we do not invest in portfolio equity securities. We do not invest in 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 the majority of which are rated A1 or better. We typically invest the majority of our investments in the shorter-end of the maturity spectrum.

The table below presents the principal amounts or adjusted cost basis and related weighted average interest rates of our marketable debt securities, excluding those related to our Executive Deferred Compensation Plan, by year of maturity (twelve-month intervals ending September 30 of the year indicated) as of September 30, 2009 (in thousands):

	2010	2011	2012	After 2014	Total	Fair Value
Fixed Rate	$ 60,624	$ 34,993	$ 50,574	$ —	$146,191	$147,740
Average Interest Rate	*5.76%*	*5.25%*	*4.72%*	—	*5.28%*	
Variable Rate	—	—	—	870	870	319
Average Interest Rate	—			*2.25%*	*2.25%*	
	$ 60,624	$ 34,993	$ 50,574	$ 870	$147,061	$148,059

Our convertible notes payable outstanding have fixed interest rates. Accordingly, the fair values of the respective issues will fluctuate as market rates of interest rise or fall. Fair values are also affected by changes in the price of our common stock. Our 4% Convertible Senior Notes in the principal amount of $250.0 million at September 30, 2009 are due June 1, 2013 and have a fair value of $262.6 million at September 30, 2009.

Item 4. Controls and Procedures

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, 2009. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of September 30, 2009.

Changes in Internal Controls

There were no changes in our internal controls over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act, during the period covered by this report that have materially affected, or are reasonably likely to materially affect our internal control over financial reporting.

Part II OTHER INFORMATION

Item 6. Exhibits

(a) Exhibits required by Item 601 of Regulation S-K.

Exhibit Number	Description	Reference No.
3(i)	Amended and Restated Certificate of Incorporation	(1)
3(ii)	Amended and Restated By-laws	(2)
4.1	Rights Agreement dated May 17, 2002 between the Company and Continental Stock Transfer Trust Company, as rights agent	(3)
4.2	First Amendment to the Rights Agreement, dated as of February 19, 2003, between the Company and Continental Stock Transfer & Trust Company, as rights agent	(4)
4.3	Second Amendment to the Rights Agreement, dated as of January 7, 2008, between the Company and Continental Stock Transfer and Trust Company, as rights agent	(5)
4.4	Third Amendment to the Rights Agreement, dated as of July 23, 2009, between the Company and Continental Stock Transfer and Trust Company, as rights agent	(6)
10.1	Amendment No. 4 to License and Collaboration Agreement, dated July 8, 2009 by and between Santaris Pharma A/S and Enzon Pharmaceuticals, Inc.	*
10.2	Amendment No. 5 to License and Collaboration Agreement, dated October 2, 2009 by and between Santaris Pharma A/S and Enzon Pharmaceuticals, Inc.	*
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.

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

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

(2) Current Report on Form 8-K filed January 21, 2009

(3) Form 8-A12G (File No. 000-12957) filed May 22, 2002

(4) Form 8-A12G/A (File No. 000-12957) filed February 20, 2003

(5) Current Report on Form 8-K filed January 8, 2008

(6) Form 8-A/A filed July 24, 2009

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 3, 2009

By: /s/Jeffrey H. Buchalter

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

Date: November 3, 2009

By: /s/Craig A. Tooman

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

Exhibit 10.1

Amendment No 4

AMENDMENT TO
LICENSE AND COLLABORATION AGREEMENT

THIS AMENDMENT TO LICENSE AND COLLABORATION AGREEMENT (this "Amendment"), is entered into this 8th day of July, 2009 (the "Effective Date") by and between Santaris Pharma A/S, a Danish corporation, having its principal place of business at Hørsholm, Denmark ("Santaris"), and Enzon Pharmaceuticals, Inc., a Delaware corporation, having its principal place of business at Bridgewater, New Jersey 08807 ("Enzon"). Santaris and Enzon may be referred to herein individually as a "Party" or collectively, as the "Parties".

BACKGROUND

WHEREAS, Enzon and Santaris entered into the License and Collaboration Agreement dated July 26, 2006 (the "Agreement"); and

WHEREAS, the Agreement was amended by Amendment No. 1 dated 13th of June 2007, Amendment No. 2 dated 25th of June 2007, and Amendment No. 3 dated 21st of December 2007; and

WHEREAS, Enzon and Santaris desire to amend and restate certain provisions of the Agreement.

NOW, THEREFORE, in consideration of the covenants and obligations expressed herein and intending to be legally bound, and otherwise bound by proper and reasonable conduct, the Parties agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Agreement.

2. Section 8.1 (c) of the Agreement is hereby amended and restated in its entirety as follows:

(c) In Respect of all LNA Compound Patents:

(i) Santaris and Enzon shall jointly own the right, title and interest in and to all provisional and other priority LNA Compound Patent applications regardless of inventorship; and without the need for any further action by a Party and subject to the licenses granted hereunder.

(ii) At the time of filing of each international patent application filed under the Patent Cooperation Treaty (a "PCT Application"), if not already jointly owned, Santaris and Enzon shall jointly own the right, title and interest in and to such PCT Application, regardless of inventorship; and without the need for any further action by a Party and subject to the licenses granted hereunder. Santaris agrees to assign, and herby does assign, such right, title and interest in and to any LNA Compound Patents to Enzon so that Santaris and Enzon shall jointly own such LNA Compound Patents. For clarity, such a PCT Application shall be filed in both Santaris and Enzon names.

(iii) At the time each PCT Application enters the national or regional phase in any

country or region in the Santaris Territory, Enzon agrees to assign, and hereby does assign, such right, title and interest in and to any such LNA Compound Patent to Santaris so that Santaris shall own the entire right, title and interest in and to such LNA Compound Patent in all countries in the Santaris Territory.

(iv) At the time each PCT Application enters the national or regional phase in any country or region in the Enzon Territory, Santaris and Enzon shall continue to jointly own such LNA Compound Patent in all countries in the Enzon Territory.

(v) Promptly after the Effective Date, Santaris shall assign and hereby does assign, to Enzon such right, title and interest in and to all existing LNA Compound Patents listed on Schedule 1.57 that are PCT Applications or have entered the national phase in any country in the Enzon Territory so that Santaris and Enzon shall jointly own such LNA Compound Patents, except for those that have already entered the national or regional phase in any country or region in the Santaris Territory so that Santaris shall continue to own those LNA Compound Patents in the Santaris Territory.

(vi) If any given LNA Compound is not selected as a Selected LNA Compound by the latest date required by the Agreement, Enzon agrees to assign, and herby does assign, such right, title and interest in and to any LNA Compound Patents covering such LNA Compound to Santaris.

(vii) Enzon discontinues all Development or Commercialization activities of all Selected LNA Compounds claimed under an LNA Compound Patent jointly owned by the Parties, Enzon shall then assign its entire, right, title and interest in such LNA Compound Patent to Santaris.

(viii) Except to the extent permitted under Section 2.4 or with the prior written consent of Santaris, Enzon shall not assign, license, grant, suffer, permit or otherwise transfer any license, rights, security interest, lien or other encumbrance, or other interest of any kind in such LNA Compound Patents (except in connection with an assignment pursuant to Section 14.8).

3. Section 8.2 (c) of the Agreement is hereby amended and restated in its entirety as follows:

> **(c) LNA Compound Patents**. With respect to inventions made with no inventive contribution by Santaris' employees, Enzon shall initially file and prosecute all provisional and other priority patent applications which at least shall be filed in the United States. The parties shall jointly prepare the PCT Applications derived from such provisional and other priority patent applications and each of Santaris and Enzon shall have the right to approve the initial filing of the PCT Applications. Enzon shall file, prosecute and maintain such PCT Applications for the benefit of both Parties.
>
> With respect to inventions made with inventive contribution by Santaris' employees, Santaris shall initially file and prosecute all provisional and other priority patent applications which at least shall be filed in the United States. The parties shall jointly prepare the PCT Applications derived from such provisional and other priority patent applications and each of Santaris and Enzon shall have the right to approve the initial

filing of the PCT Applications. Santaris shall file, prosecute and maintain such PCT Applications for the benefit of both Parties.

At the time each such PCT Application enters the national or regional phase in any country in the Santaris Territory, Santaris shall thereafter direct the filing, prosecution (including any interferences, oppositions, reissuance, and re-examinations) and maintenance of all LNA Compound Patents in countries in the Santaris Territory.

At the time each such PCT Application enters the national or regional phase in any country in the Enzon Territory, Enzon shall thereafter direct the filing, prosecution (including any interferences, oppositions, reissuance, and re-examinations) and maintenance of all LNA Compound Patents in countries in the Enzon Territory.

The Party having the right to prosecute in accordance with the foregoing is referred to as the "Prosecuting Party". Prosecuting Party shall provide the other Party promptly with copies of all patent applications, correspondences and other communications relating to LNA Compound Patents to and from patent offices and provide the other Party at least sixty (60) days to offer comments. Prosecuting Party shall consider in good faith any comments the other Party may have with regard to the preparation, filing, prosecution and/or maintenance of the patent applications and patents related to such LNA Compound Patents. Prosecuting Party shall provide the other Party, a reasonable time prior to taking or failing to take action that would affect the scope or validity of rights under any LNA Compound Patent (including substantially narrowing or canceling any claim without reserving the right to file a continuing or divisional application, abandoning any patent or not filing or perfecting the filing of any patent application in any country), with notice of such proposed action or inaction so that the other Party has a reasonable opportunity to review and make comments, and take such actions as may be appropriate in the circumstances. However, the foregoing three sentences shall not apply to the prosecution of national or regional phase applications in the Santaris Territory, except that Santaris shall keep Enzon informed of the material progress of such prosecution and shall provide such documents and take such actions as may be reasonably required to facilitate the prosecution of corresponding Patents in the Enzon Territory.

The Parties and their patent counsel shall establish such procedures as may be desired to carry out the mutual review and consultation procedure contemplated under this Section 8.2 (c) without imposing unreasonable burdens and delays on the prosecution of the LNA Compound Patents. If Enzon, as the Prosecuting Party, determines not to file, prosecute, defend or maintain any LNA Compound Patent (including failing to defend any interference or opposition proceedings) in any country, and providing that no other patent applications or patents containing the same claims are pending or issued in that same country, then Enzon shall provide Santaris with thirty (30) days prior written notice of such determination and Santaris shall have the right and opportunity to file, prosecute, defend and/or maintain such patent or patent application at Santaris' sole cost and expense.

4. Except as set forth in this Amendment, the Agreement shall remain in full force and effect.

5. Resolution of all disputes arising out of or related to this Amendment or the performance, enforcement, breach or termination of this Amendment and any remedies relating thereto, shall be governed by and construed under the substantive Laws of the State of New York, without regard to conflicts of law rules that would provide for application of the Law of Jurisdiction outside of New York. To the extent there is any such dispute, such dispute will be handled in accordance with the procedures set forth in Section 13 of the Agreement.

6. This Amendment may be executed in two or more counterparts (including by facsimile or pdf file) each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Amendment in duplicate originals by their proper officers as of the date and year first above written.

SANTARIS PHARMA A/S	ENZON PHARMACEUTICALS, INC.
By: /s/ Søren Tulstrup	By: /s/ Ivan Horak
NAME: Søren Tulstrup	NAME: Ivan Horak
TITLE: Chief Executive Officer	TITLE: Chief Science Officer
By: /s/ Maja Bojko	By: /s/ Paul Davit
NAME: Maja Bojko	NAME: Paul Davit
TITLE: Chief Financial Officer	TITLE: EVP Human Resources

Exhibit 10.2

Amendment No. 5

AMENDMENT TO
LICENSE AND COLLABORATION AGREEMENT

THIS AMENDMENT TO LICENSE AND COLLABORATION AGREEMENT (this "**Amendment**"), is entered into this 2nd day of October 2009 (the "**Effective Date**") by and between **Santaris Pharma A/S**, a Danish corporation having its principal place of business at Hørsholm, Denmark ("**Santaris**"), and **Enzon Pharmaceuticals, Inc.**, a Delaware corporation having its principal place of business at Bridgewater, New Jersey 08807 ("**Enzon**"). Santaris and Enzon may be referred to herein individually as a "**Party**" or collectively, as the "**Parties**".

WHEREAS, Enzon and Santaris entered into the License and Collaboration Agreement dated July 26, 2006 (the "**Agreement**"); and

WHEREAS, the Agreement was amended by Amendment No 1 dated 13 th of June, Amendment No 2 dated 25 th of June 2007 and Amendment No 3 dated 21 st of December 2007.

WHEREAS, Enzon and Santaris desire to amend and restate certain provisions of the Agreement to provide for substitution of targets for purposes of certain development milestones.

NOW, THEREFORE, in consideration of the covenants and obligations expressed herein and intending to be legally bound, and otherwise bound by proper and reasonable conduct, the Parties agree as follows:

1. Capitalized terms used herein and not otherwise defined shall have the meanings given to them in the Agreement.

2. A new Section 6.1(j) is hereby added to read in its entirety as follows:

> **Interchange of Targets**. Notwithstanding the provisions of Section 6.1(a), Enzon shall have the right to accelerate the Development of one Accepted LNA Compound and delay the Development of another Accepted LNA Compound by substituting one Accepted LNA Compound for another for purposes of achieving the first development milestones set forth in Section 6.1(a); provided that if Enzon exercises this right, it shall not have the right to extend pursuant to Section 6.1(b) the first development milestone for the Accepted LNA Compound for which Development was advanced. Upon substitution of the first development milestone, the second development milestone shall be accordingly substituted (so that the second development milestone date is 18 months after the first development milestone date for such Accepted LNA Compound). For illustration purposes only, if compound 1 has a first development milestone (i.e. select an Accepted LNA Compound for Development and commence pre-clinical toxicology study) on September 1, 2009 and a second development milestone (i.e. filing of an IND) on April 1, 2011 and compound 2 has a first development milestone on February 1, 2010 and a second development milestone on August 1, 2011, Enzon may elect to achieve the compound 1 first development milestone

with compound 2. Upon such substitution, the second milestone date for compound 1 shall become August 1, 2011 and the second milestone date for compound 2 shall become April 1, 2011. Thereafter, Enzon could not elect to extend the first development milestone for compound 2 (i.e. the compound which was advanced) pursuant to Section 6.1(b); however, Enzon could elect to extend the first milestone for compound 1 or the second milestone for compound 1 or compound 2 pursuant to Section 6.1(b). Any payments required by Enzon for the achievement of milestones pursuant to Section 7.4(a)(i) or 7.4(a)(ii) shall reflect any substitution of Accepted LNA Compounds pursuant to this Section 6.1(j).

3. The Parties have agreed that the contractual milestone start dates for the LNA Lead Candidates that Santaris Pharma has delivered to Enzon on the six novel discovery targets shall be the following:

	Clock start for Next Milestone (Delivery of 2 LNA compounds)	Milestone Due Date: Select Preclinical Lead
HER3	April 3, 2008	October 3. 2009
Beta-Catenin	June 3, 2008	February 3, 2010
AR	October 15, 2008	April 15, 2010
PIK3CA	October 15, 2008	August 15, 2010
HSP27	December 17, 2008	August 17, 2010
Gli2	April 20, 2009	October 20, 2010

4. Except as set forth in this Amendment, the Agreement shall remain in full force and effect.

5. Resolution of all disputes arising out of or related to this Amendment or the performance, enforcement, breach or termination of this Amendment and any remedies relating thereto, shall be governed by and construed under the substantive Laws of the State of New York, without regard to conflicts of law rules that would provide for application of the Law of a jurisdiction outside New York. To the extent there is any such dispute, such dispute will be handled in accordance with the procedures set forth in Section 13 of the Agreement.

6. This Amendment may be executed in two or more counterparts (including by facsimile or pdf file) each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have executed this Amendment in duplicate originals by their proper officers as of the date and year first above written.

SANTARIS PHARMA A/S		**ENZON PHARMACEUTICALS, INC.**	
By:	/s/ Søren Tulstrup	By:	/s/ Ivan Horak
NAME:	Søren Tulstrup	NAME:	Ivan Horak
TITLE:	Chief Executive Officer	TITLE:	Chief Science Officer
By:	/s/ Henrik Stage	By:	_____
NAME:	Henrik Stage	NAME:	
TITLE:	Chief Financial Officer	TITLE:	

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, 2009 of Enzon Pharmaceuticals, Inc. (the registrant);

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

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

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

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

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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 3, 2009

By: /s/Jeffrey H. Buchalter

Jeffrey H. Buchalter
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, 2009 of Enzon Pharmaceuticals, Inc. (the registrant);

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

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

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

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

    (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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 3, 2009

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

In connection with the Quarterly Report on Form 10-Q of Enzon Pharmaceuticals, Inc. (the Company) for the period ended September 30, 2009 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jeffrey H. Buchalter, 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 3, 2009

By: /s/Jeffrey H. Buchalter

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

Exhibit 32.2

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

In connection with the Quarterly Report on Form 10-Q of Enzon Pharmaceuticals, Inc. (the Company) for the period ended September 30, 2009 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, 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 3, 2009

By: /s/Craig A. Tooman

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