**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 March 31, 2007**

**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<br>(State of incorporation) | 22-2372868<br>(I.R.S. Employer Identification No.) |
| 685 Route 202/206, Bridgewater, New Jersey<br>(Address of principal executive offices) | 08807<br>(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer ☐ Accelerated Filer ☑ Non-Accelerated Filer ☐

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 May 2, 2007: 44,061,961.

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## 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)**

| | March 31, 2007 | December 31, 2006* |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 22,360 | $ 28,431 |
| Short-term investments | 141,983 | 145,113 |
| Accounts receivable, net of allowance for doubtful accounts of $342 at March 31, 2007 and $245 at December 31, 2006 | 13,264 | 15,259 |
| Inventories | 20,900 | 17,618 |
| Other current assets | 9,812 | 5,890 |
| Total current assets | 208,319 | 212,311 |
| Property and equipment, net of accumulated depreciation of $27,896 at March 31, 2007 and $26,506 at December 31, 2006 | 44,446 | 39,491 |
| Marketable securities | 34,099 | 67,061 |
| Amortizable intangible assets, net | 75,910 | 78,510 |
| Other assets | 6,035 | 6,457 |
| Total assets | $ 368,809 | $ 403,830 |
| **LIABILITIES AND STOCKHOLDERS' DEFICIT** | | |
| Current liabilities: | | |
| Accounts payable | $ 11,852 | $ 24,918 |
| Accrued expenses | 16,086 | 34,967 |
| Total current liabilities | 27,938 | 59,885 |
| Notes payable | 393,642 | 397,642 |
| Other liabilities | 2,711 | 2,744 |
| Total liabilities | 424,291 | 460,271 |
| Commitments and contingencies | | |
| Stockholders' deficit: | | |
| Preferred stock — $.01 par value, authorized 3,000,000 shares; no shares issued and outstanding at March 31, 2007 and December 31, 2006 | — | — |
| Common stock — $.01 par value, authorized 170,000,000 shares; issued and outstanding 44,061,961 shares at March 31, 2007 and 43,999,031 shares at December 31, 2006 | 441 | 440 |
| Additional paid-in capital | 328,469 | 326,099 |
| Accumulated other comprehensive income (loss) | 27 | (414) |
| Accumulated deficit | (384,419) | (382,566) |
| Total stockholders' deficit | (55,482) | (56,441) |
| Total liabilities and stockholders' deficit | $ 368,809 | $ 403,830 |

* 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 March 31, 2007 | 2006 |
|---|---|---|
| Revenues: | | |
| Product sales, net | $ 22,649 | $ 24,275 |
| Royalties | 16,344 | 17,248 |
| Contract manufacturing | 2,495 | 3,206 |
| Total revenues | 41,488 | 44,729 |
| Costs and expenses: | | |
| Cost of product sales and contract manufacturing | 11,464 | 10,549 |
| Research and development | 13,240 | 7,003 |
| Selling, general and administrative | 16,190 | 15,838 |
| Amortization of acquired intangible assets | 185 | 189 |
| Restructuring charge | 569 | — |
| Total costs and expenses | 41,648 | 33,579 |
| Operating (loss) income | (160) | 11,150 |
| Other income (expense): | | |
| Investment income, net | 2,577 | 15,816 |
| Interest expense | (4,553) | (4,881) |
| Other, net | 90 | (241) |
| | (1,886) | 10,694 |
| (Loss) income before income tax (benefit) provision | (2,046) | 21,844 |
| Income tax (benefit) provision | (193) | 136 |
| Net (loss) income | $ (1,853) | $ 21,708 |
| (Loss) earnings per common share — basic | $ (0.04) | $ 0.50 |
| (Loss) earnings per common share — diluted | $ (0.04) | $ 0.50 |
| Weighted average shares — basic | 43,862 | 43,524 |
| Weighted average shares — diluted | 43,862 | 43,524 |

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

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

| | Three months ended March 31, 2007 | Three months ended March 31, 2006 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net (loss) income | $ (1,853) | $ 21,708 |
| Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 3,997 | 3,292 |
| Stock-based compensation | 2,084 | 898 |
| Gain on sale of investments | — | (13,824) |
| Amortization of debt issue costs | 438 | 448 |
| Gain on redemption of notes payable | (64) | — |
| Amortization of debt securities premium/discount | 82 | 193 |
| Changes in operating assets and liabilities | (19,705) | (9,206) |
| Net cash (used in) provided by operating activities | (15,021) | 3,509 |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (6,352) | (1,319) |
| Proceeds from sale of equity investment | — | 20,209 |
| Purchase of product rights | (17,500) | (35,000) |
| Proceeds from sale of marketable securities | 67,355 | 88,350 |
| Purchase of marketable securities | (90,695) | (127,298) |
| Maturities of marketable securities | 59,792 | — |
| Net cash provided by (used in) investing activities | 12,600 | (55,058) |
| Cash flows from financing activities: | | |
| Redemption of notes payable | (3,936) | — |
| Proceeds from exercise of common stock options | 286 | — |
| Net cash used in financing activities | (3,650) | — |
| Net decrease in cash and cash equivalents | (6,071) | (51,549) |
| Cash and cash equivalents at beginning of period | 28,431 | 76,497 |
| Cash and cash equivalents at end of period | $ 22,360 | $ 24,948 |

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

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

**(1) Organization and Basis of Presentation**

The unaudited condensed consolidated financial statements have been prepared from the books and records of Enzon Pharmaceuticals, Inc. 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's 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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year amounts have been reclassified to conform to the current period presentation. Interim results are not necessarily indicative of the results that may be expected for the year. 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, 2006.

**(2) Marketable Securities**

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

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

The Company holds auction rate securities for which interest or dividend rates are generally reset for periods of up to 90 days. The auction rate securities outstanding at March 31, 2007 and December 31, 2006 were investments in state government bonds and corporate securities.

Other securities include investments of participants in the Company's Executive Deferred Compensation Plan which are predominantly mutual fund shares totaling \$1.7 million as of March 31, 2007 and \$1.8 million as of December 31, 2006. As of December 31, 2006, these investments also included \$0.6 million of securities of government-sponsored entities (GSE). At any point in time, the assets of the deferred compensation plan may also include cash (\$0.8 million and \$0.3 million at March 31, 2007 and December 31, 2006, respectively). There is a non-current liability that offsets the aggregate deferred compensation plan assets.

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's available-for-sale securities by major security type at March 31, 2007 were as follows (in thousands):

| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value* |
|---|---|---|---|---|
| U.S. government and GSE debt | $ 27,003 | $ — | $ (143) | $ 26,860 |
| U.S. corporate debt | 127,930 | 5 | (157) | 127,778 |
| Auction rate securities | 19,475 | — | — | 19,475 |
| Other | 1,699 | 270 | — | 1,969 |
| | $176,107 | $ 275 | $ (300) | $176,082 |

* $141,983 is included in short-term investments and $34,099 is included in marketable securities.

The amortized cost, gross unrealized holding gains or losses, and fair value of the Company's available-for-sale securities by major security type at December 31, 2006 were as follows (in thousands):

| | Amortized Cost | Gross Unrealized Holding Gains | Gross Unrealized Holding Losses | Fair Value* |
|---|---|---|---|---|
| U.S. government and GSE debt | $ 36,003 | $ — | $ (260) | $ 35,743 |
| U.S. corporate debt | 133,904 | 7 | (230) | 133,681 |
| Auction rate securities | 40,350 | — | — | 40,350 |
| Other | 2,374 | 26 | — | 2,400 |
| | $212,631 | $ 33 | $ (490) | $212,174 |

* Included in short-term investments $145,113 and marketable securities $67,061 at December 31, 2006.

Maturities of marketable debt securities, excluding securities related to the Company's Executive Deferred Compensation Plan, at March 31, 2007 were as follows (in thousands):

| Twelve-Month Periods Ending March 31, | Amortized Cost | Fair Value |
|---|---|---|
| 2008 | $141,992 | $141,745 |
| 2009 | 15,241 | 15,193 |
| Maturities beyond five years | 17,175 | 17,175 |
| | $174,408 | $174,113 |

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 cost and fair value at such date. The Company has determined that there were no other-than-temporary declines in the fair values of its marketable securities and short-term investments as of March 31, 2007.

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

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 March 31, 2007 (in thousands):

| | Less Than 12 Months | | 12 Months or Greater | |
|---|---|---|---|---|
| | Fair Value | Unrealized Loss | Fair Value | Unrealized Loss |
| U.S. government and GSE debt (1) | $ 3,995 | $ (5) | $ 22,865 | $ (138) |
| U.S. corporate debt (2) | 103,179 | (124) | 8,260 | (33) |
| Total | $107,174 | $ (129) | $ 31,125 | $ (171) |

(1) U.S. government and government-sponsored enterprise (GSE) debt. The unrealized losses of $143,000 in the U.S. Government and GSE mortgage-backed securities were attributable to increases in interest rates. These holdings do not permit the issuer to settle the securities at a price less than the amortized cost. Further, because the declines in market value are due to increases in interest rates and not the credit quality of the issuer, and the Company has the ability and the intent to hold these investments until recovery of the cost, the Company does not consider its investments in U.S. Government and GSE debt to be other-than-temporarily impaired at March 31, 2007.

(2) U.S. corporate debt. The unrealized losses of $157,000 on the U.S. corporate debt were attributable to increases in interest rates, as well as bond pricing. The Company invests in bonds that are rated A1 or better, as dictated by its investment policy. Since the changes in the market value of these investments are due to changes in interest rates and not the credit quality of the issuer, and the Company has the ability and intent to hold these investments until recovery of the cost, the Company does not consider its investments in U.S. corporate debt to be other-than-temporarily impaired at March 31, 2007.

**(3) Comprehensive (Loss) Income**

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

| | Three months ended March 31, | |
|---|---|---|
| | **2007** | **2006** |
| Net (loss) income | $ (1,853) | $ 21,708 |
| Other comprehensive income: | | |
| Unrealized gain on securities that arose during the period, net of tax (1) | 441 | 13,881 |
| Reclassification adjustment for gain included in net (loss) income, net of tax(1) | — | (13,844) |
| Total other comprehensive income | 441 | 37 |
| Comprehensive (loss) income | $ (1,412) | $ 21,745 |

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

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

### (4) Earnings Per Common Share

Basic (loss) earnings per common share is computed by dividing the net (loss) income 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 (loss) 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 non-qualified stock options, unvested restricted stock units and restricted stock awards and the number of shares issuable upon conversion of the Company's convertible subordinated notes payable and/or convertible senior 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. The assumption is that the interest would not have been incurred if the notes payable were converted into common stock.

The dilutive effect of stock options and nonvested shares takes into account a number of treasury shares calculated using assumed proceeds, which includes compensation costs to be attributed to future service and not yet recognized and, in the case of stock options, the cash paid by the holders to exercise plus the excess, if any, of tax benefits that would be credited to additional paid-in capital. For all affected reporting periods subsequent to the July 1, 2005 adoption of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 123 (revised), "Share-Based Payment" (SFAS No. 123R), the inclusion of unrecognized share-based compensation in the treasury stock component of the calculation caused stock options and nonvested shares outstanding to be anti-dilutive and they were therefore excluded from the computation of diluted earnings per share. In addition, for the three months ended March 31, 2007, the Company reported a net loss.

For the three-month periods ended March 31, 2007 and March 31, 2006, the Company determined that all potentially dilutive common stock equivalents, (40.6 million and 12.7 million shares, respectively), were anti-dilutive. Consequently, reported diluted (loss) earnings per common share is the same as the basic (loss) earnings per common share amount.

### (5) Share-Based Compensation

The Company accounts for share-based compensation, including options and nonvested shares, according to the provisions of SFAS No. 123R, "Share-Based Payment." During the quarters ended March 31, 2007 and 2006, the Company recognized share-based compensation expense of $2.1 million and $0.9 million, respectively. Activity in options and nonvested shares during the quarter ended March 31, 2007 and related balances outstanding as of that date are reflected below. The weighted average grant price of the options granted was $8.57 per share and fair values ranged from $3.44 to $3.61 per share for $7.1 million fair value in total during the quarter ended March 31, 2007. The nonvested shares granted during the quarter had a weighted average grant-date fair value of $8.56 per share.

| | Options | Nonvested Shares |
|---|---|---|
| Outstanding at December 31, 2006 | 6,708 | 1,458 |
| Granted | 1,970 | 331 |
| Exercised and vested | (65) | (7) |
| Expired and forfeited | (85) | (23) |
| Outstanding at March 31, 2007 | 8,528 | 1,759 |
| Options vested and expected to vest at March 31, 2007 | 7,462 | |
| Options exercisable at March 31, 2007 | 4,835 | |

As of March 31, 2007, there was $9.6 million of total unrecognized compensation cost related to unvested options that the Company expects to recognize over a weighted-average period of 29 months and $13.4 million of total unrecognized compensation cost related to nonvested shares to be recognized over a weighted-average period of 39 months.

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

**(6) Inventories**

As of March 31, 2007 and December 31, 2006 inventories consisted of the following (in thousands):

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| Raw materials | $ 8,296 | $ 7,321 |
| Work in process | 6,335 | 4,444 |
| Finished goods | 6,269 | 5,853 |
| | $ 20,900 | $ 17,618 |

**(7) Intangible Assets**

As of March 31, 2007 and December 31, 2006 intangible assets consisted of the following (in thousands):

| | March 31, 2007 | December 31, 2006 | Weighted Average Remaining Useful Lives |
|---|---|---|---|
| Product acquisition costs | $ 78,694 | $ 78,694 | 7 years |
| Product patented technology | 6,000 | 6,000 | 8 years |
| Manufacturing patent | 9,000 | 9,000 | 8 years |
| Patent | 1,875 | 1,875 | * |
| | 95,569 | 95,569 | 7 years |
| Less: Accumulated amortization | 19,659 | 17,059 | |
| | $ 75,910 | $ 78,510 | |

* fully amortized

In December 2006, the Company entered into supply and license agreements with Ovation Pharmaceuticals, Inc. (Ovation) related to the active ingredient used in the production of Oncaspar. The agreement called for the Company to make a $20.0 million nonrefundable payment in February 2007 for a non-exclusive, fully paid, perpetual, worldwide license of the cell line from which the active ingredient is derived, as well as to related data and know-how. Of the $20.0 million, $2.5 million was for an initial supply of the ingredient by Ovation to the Company. The $17.5 million portion of the payment attributable to the license was reflected as a current liability and as an intangible asset as of December 31, 2006. The $17.5 million intangible asset portion of the payment to Ovation is being amortized on a straight-line basis over its estimated economic life, which is coincident with the remaining term of the Company's royalty obligations for Oncaspar – through June 30, 2014.

Amortization of intangibles amounted to $2.6 million for the quarter ended March 31, 2007 and $2.0 million for the quarter ended March 31, 2006. Of these totals, $2.4 million and $1.8 million, respectively, were classified as cost of product sales and contract manufacturing.

**(8) Notes Payable**

The table below reflects the composition of the notes payable balances as of March 31, 2007 and December 31, 2006 (in thousands):

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| 4.5% Convertible Subordinated Notes due July 1, 2008 | $ 118,642 | $ 122,642 |
| 4% Convertible Senior Notes due June 1, 2013 | 275,000 | 275,000 |
| | $ 393,642 | $ 397,642 |

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

The 4.5% notes mature on July 1, 2008 and are convertible, at the option of the holders, into common stock of the Company at a conversion price of $70.98 per share at any time on or before July 1, 2008. The 4.5% notes are subordinated to all existing and future senior indebtedness. Upon occurrence of a "fundamental change," as defined in the indenture governing the 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. The Company may redeem any or all of the 4.5% notes at specified redemption prices, plus accrued and unpaid interest to the day preceding the redemption date.

The 4% notes mature on June 1, 2013, unless earlier redeemed, repurchased or converted, at the option of the holders, into the Company's common stock at an initial conversion price of $9.55 per share. The 4% notes are senior unsecured obligations and rank equal to other senior unsecured debt of the Company and all future senior unsecured debt of the Company.

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% 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% 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 are 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.

In connection with the Company's second-quarter 2006 issuance of $275.0 million of the 4% notes, the Company entered into a registration rights agreement whereby it agreed to file a shelf registration statement with the U.S. Securities and Exchange Commission (SEC) to permit the registered resale of the 4% notes and the common stock issuable upon conversion of the notes. The shelf registration was filed in a timely manner on October 2, 2006 and was declared effective by the SEC on November 3, 2006. Failure to maintain the effectiveness of the registration statement for a period of two years beginning November 3, 2006 would result in additional interest of up to $2.2 million being payable on the 4% notes as of March 31, 2007.

Interest on the 4.5% notes is payable January 1 and July 1 of each year. Accrued interest on the 4.5% notes was $1.3 million as of March 31, 2007 and $2.7 million as of December 31, 2006. Interest on the 4% notes is payable on June 1 and December 1 of each year. As of March 31, 2007 accrued interest on the 4% notes amounted to $3.7 million and $1.0 million at December 31, 2006.

The Company evaluates the accounting for the conversion features in accordance with Emerging Issues Task Force Issue (EITF) No. 00-19, "Accounting for Derivative Financial Instruments Indexed to and Potentially Settled in, a Company's Own Stock," and related issues, at the date of issuance of the 4% and 4.5% Convertible Notes and determined that the conversion feature should be classified as equity, and therefore it does not need to be accounted for separately from the Convertible Notes. The Company updates its analysis of the accounting for the conversion feature on a quarterly basis and more frequently if circumstances warrant. If the conversion feature is required to be bifurcated in the future, changes in the fair value of the conversion feature would be charged or credited to interest expense in each period.

Effective January 1, 2007, the Company evaluates the accounting for the convertible notes in accordance with EITF No. 00-19-2, "Accounting for Registration Payment Arrangements", which specifies that registration payment arrangements should play no part in determining the initial classification and subsequent accounting for the securities they related to. The Staff position requires the contingent obligation in a registration payment arrangement to be separately analyzed under FASB Statement No. 5, "Accounting for Contingencies" and FASB Interpretation No. 14, "Reasonable Estimation of the Amount of a Loss". If payment in a registration payment arrangement is probable and can be reasonably estimated, a liability should be recorded. Based on the Company's evaluation, no liability relating to the convertible notes was required to be recorded as of January 1, 2007 and March 31, 2007.

**(9) Restructuring**

During the first quarter of 2007, the Company announced plans to consolidate manufacturing operations in its Indianapolis, Indiana location. This action was taken as part of the Company's continued efforts to streamline operations.

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

As a result, all operations at the Company's South Plainfield, New Jersey facility are expected to be transferred in 2008, resulting in the incurrence of certain restructuring and exit costs. Among these costs will be employee severance and related benefits for affected employees in an estimated range of approximately $4.0 million to $5.0 million all of which relate to the Products segment. These amounts will be paid in 2008 upon the successful transfer of production to Indianapolis and satisfactory performance by the affected employees during the transition period. To date, a charge of $569,000 has been recognized. Other costs are expected to be incurred relating to relocation of goods and equipment and will be recognized as incurred. In the aggregate, including employee costs, the Company anticipates incurring costs in connection with this restructuring plan in the range of $8.0 million to $10.0 million.

In addition, the Company may experience costs associated with lease termination or sublease of the South Plainfield facility of as much as $8.0 million. Such costs would be incurred and recognized when the Company ceases use of the property in 2008. However, the Company does not know at this time what the final use or disposition of the leased South Plainfield facility will be. There is also a possibility that non-cash charges could be incurred related to asset impairments or acceleration of depreciation, if future triggering events occur. At March 31, 2007, the Company's analysis of the future net undiscounted cash flows for the South Plainfield facility assets did not indicate an impairment.

**(10) 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 three month periods ended March 31, 2007 and 2006, there were payments of interest on the Company's notes payable of $2.8 million and $8.9 million, respectively. Income tax payments for the three months ended March 31, 2007 and 2006, were $294,000 and $83,000, respectively.

**(11) Income Taxes**

During the three months ended March 31, 2007, the Company recorded a net tax benefit of $193,000 which represents state and Canadian tax liabilities and includes an adjustment to taxes payable. During the three months ended March 31, 2006, the Company recognized a tax expense of $136,000 representing state and Canadian tax liabilities. The Company did not recognize a U.S. Federal income tax provision for these periods as the estimated annual effective tax rate is zero. As of March 31, 2007, 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.

In accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return. Upon adoption of FIN 48 as of January 1, 2007, the Company had no tax positions relating to open income tax returns that were considered to be uncertain. Accordingly, the Company had no liability for such uncertain positions nor did it establish such a liability upon adoption of the interpretation.

The Company files income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. With few exceptions, the Company is no longer subject to tax examination by any of these tax authorities for years before 2000.

Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense.

**(12) Segment Information**

The Company operates in the following business and reportable segments:

*Products* - Currently, the Company has developed or acquired four therapeutic, FDA-approved products focused primarily in oncology and adjacent diseases. The Company currently markets its products through its specialized U.S. sales forces that calls upon specialists in oncology, hematology and other critical care disciplines. The Company's four proprietary marketed brands are Oncaspar, Abelcet, Adagen and DepoCyt.

**ENZON PHARMACEUTICALS, INC. AND SUBSIDIARIES**
**Notes to Condensed Consolidated Financial Statements**
**(Unaudited)**

*Royalties* – The Company derives licensing income from royalties received on the manufacture and sale of products that utilize its proprietary technology. Royalties are primarily derived from sales by Schering-Plough of PEG-INTRON. In addition to royalties from PEG-INTRON, the Company receives royalty revenues on Pegasys and Macugen through an agreement with Nektar Therapeutics, Inc. (Nektar) under which the Company shares in Nektar's royalties on sales of these products.

*Contract Manufacturing* - The Company provides contract manufacturing services for third parties — primarily MYOCET and Abelcet for export, each for Cephalon, Inc., and the injectable multivitamin, MVI, for Hospira, Inc.

Profit (loss) for the Company's segments 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 one of 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 table presents segment revenues and profitability information for the three-month periods ended March 31, 2007 and 2006 (in thousands):

| Segment | | Products | Royalties | Contract Manufacturing | Corporate(1) | Consolidated |
|---|---|---|---|---|---|---|
| Revenues | 2007 | $22,649 | $16,344 | $ 2,495 | $ — | $ 41,488 |
| | 2006 | $24,275 | $17,248 | $ 3,206 | $ — | $ 44,729 |
| Profit (Loss) (2) | 2007 | $ 2,366 | $16,344 | $ 41 | $ (20,797) | $ (2,046) |
| | 2006 | $ 6,620 | $17,248 | $ 772 | $ (2,796) | $ 21,844 |

(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) Starting in the fourth quarter of 2006, the Company began evaluating the performance of the Products segment with the inclusion of research and development costs related to marketed products and new indications for those products. Segment profit for prior periods reflects reclassifications for comparability.

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

| | Three Months Ended March 31, 2007 | Three Months Ended March 31, 2006 |
|---|---|---|
| Segment profit | $ 18,751 | $ 24,640 |
| Unallocated operating expense | (18,911) | (13,490) |
| Operating income (loss) | (160) | 11,150 |
| Other corporate income and expense | (1,886) | 10,694 |
| (Loss) income before income tax (benefit) provision | $ (2,046) | $ 21,844 |

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

### Overview

We are a biopharmaceutical company dedicated to the development, manufacturing and commercialization of therapeutics to treat patients with cancer and other life-threatening conditions. We operate in three business segments: Products, Royalties and Contract Manufacturing. Our hospital and oncology sales forces market Oncaspar, Abelcet, Adagen, and DepoCyt in the United States. In addition, we receive royalties, primarily on sales of PEG-INTRON, marketed by Schering-Plough Corporation. Royalties are derived through the application of our proprietary PEGylation technology to other companies' products. PEGylation is a proven means of enabling or enhancing the performance of pharmaceuticals with delivery limitations through the chemical attachment of polyethylene glycol or PEG. Our product-driven strategy includes an extensive drug development program that leverages our proprietary technologies, including a Customized Linker Technology™ PEGylation platform that utilizes customized linkers designed to release compounds at a controlled rate. We complement our internal research and development efforts with strategic initiatives, such as partnerships designed to broaden our revenue base or provide access to promising new technologies or product development opportunities. We also engage in contract manufacturing opportunities with third parties to improve our efficiency.

### Results of Operations

### Three Months Ended March 31, 2007 and 2006

### Overview

Total revenues declined $3.2 million or 7% in the first quarter of 2007 compared to the first quarter of 2006 from $44.7 million to $41.5 million. Revenues were reduced in all three segments leading to lower segment profits as well.

On a pretax basis, income of $21.8 million reported in the quarter ended March 31, 2006 turned to a loss of $2.1 million in the quarter ended March 31, 2007. Spending on corporate-level research and development continued to rise as previously anticipated leading to a rise in operating expenses. Period-to-period earnings comparisons were further affected by the $13.8 million gain recognized in the first quarter of 2006 on the sale of our remaining interest in shares of common stock of Nektar Therapeutics, Inc. No comparable investment gains were recognized in the first quarter of 2007.

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

| | Three Months Ended | | |
|---|---|---|---|
| | March 2007 | % Change | March 2006 |
| Products Segment profit | $ 2.4 | (64) | $ 6.6 |
| Royalty Segment profit | 16.3 | (5) | 17.2 |
| Contract Manufacturing Segment profit | — | (100) | 0.8 |
| Corporate and other expenses* | (20.8) | n.m. | (2.8) |
| Income (loss) before income tax provision (benefit) | $ (2.1) | n.m. | $ 21.8 |

* We do not allocate certain corporate income and expenses not directly identifiable with the respective segments, including general and administrative expenses, exploratory and preclinical research and development expenses, depreciation, interest income, interest expense and income taxes. 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 one of our operating segments.

n.m. – not meaningful

***Products Segment***

Segment profitability (millions of dollars):

| | Three Months Ended | | |
|---|---|---|---|
| | March 2007 | % Change | March 2006 |
| Revenues | $ 22.7 | (7) | $ 24.3 |
| Cost of sales | 9.0 | 11 | 8.1 |
| Research and development | 2.4 | 91 | 1.3 |
| Selling and marketing | 8.1 | — | 8.1 |
| Amortization of intangibles | 0.2 | (2) | 0.2 |
| Restructuring | 0.6 | n.m. | — |
| Segment profit | $ 2.4 | (64) | $ 6.6 |

n.m. — not meaningful

*Revenues*

Performance of individual products is provided below (millions of dollars):

| | Three Months Ended | | |
|---|---|---|---|
| Product | March 2007 | % Change | March 2006 |
| Oncaspar | $ 7.5 | 16 | $ 6.4 |
| DepoCyt | 2.4 | 14 | 2.1 |
| Abelcet | 7.7 | (27) | 10.5 |
| Adagen | 5.1 | (4) | 5.3 |
| Totals | $ 22.7 | (7) | $ 24.3 |

Net product sales for the three months ended March 31, 2007 decreased by 7% to $22.7 million compared to the same period of 2006 as growth in the oncology products, Oncaspar and DepoCyt, was more than offset by declines in Abelcet.

The 16% increase in revenue for Oncaspar was related to its continued adoption in certain protocols by hospitals and cooperative groups resulting in an increase in demand for the product. The July 2006 approval by the U.S. Food and Drug Administration of Oncaspar for the first-line treatment of patients with acute lymphoblastic leukemia has facilitated this trend. Sales of DepoCyt, for treatment of lymphomatous meningitis, increased by 14% over the March 2006 quarter due primarily to increased use by neuro-oncologists due of its more convenient dosing schedule, however, we do experience quarter-to-quarter variability in the sales of this product. During the three months ended March 31, 2007, U.S. and Canadian sales of Abelcet, our intravenous antifungal product, were $7.7 million, which is 27% lower than in the first quarter of 2006, driven mainly by declines in volume. Continuing competition for Abelcet from new therapeutics entering the market had been anticipated. Sales of Adagen for the three months ended March 31, 2007 were largely unchanged from the year-earlier period. Historically, quarterly sales of Adagen for treatment of severe combined immuno-deficiency disease experience volatility because of the small number of patients on therapy.

*Cost of sales*

Cost of sales of marketed products for the three months ended March 31, 2007 was $9.0 million or 40% of sales, compared to $8.1 million or 33% of sales for the comparable three-month period of 2006. The reduced margin earned in the period ended March 31, 2007 was due mainly to rising Adagen costs resulting from production timing and lower production volumes. Oncaspar costs were slightly higher as a percent of sales due, in part, to the amortization of the Oncaspar-related intangible acquired in December 2006 to secure the supply of L-asparaginase. DepoCyt and Abelcet costs remained relatively constant as a percent of sales period-over-period.

*Research and development*

Research and development spending on marketed products, primarily Oncaspar and Adagen, increased 91 percent from $1.3 million in the first quarter of 2006 to $2.4 million in the first quarter of 2007. The rise in product-related research and development expense was related to ongoing formulation enhancement of Oncaspar and Adagen as well as Oncaspar life-cycle management.

*Selling and marketing expenses*

Selling and marketing expenses consist primarily of sales and marketing personnel, as well as other commercial expense and marketing programs to support our sales force including medical education. Selling and marketing expenses for the three months ended March 31, 2007 were essentially unchanged from the three months ended March 31, 2006.

*Amortization of acquired intangible assets*

Amortization expense was $0.2 million for the three months ended March 31, 2007, unchanged from the three months ended March 31, 2006. Amortization of intangible assets has been provided over their estimated lives ranging from 1-14 years on a straight-line basis.

*Restructuring*

During the first quarter of 2007, we announced plans to consolidate manufacturing operations in our Indianapolis, Indiana location. This action was taken as part of our continued efforts to streamline operations.

As a result, all operations at our South Plainfield, New Jersey facility are expected to be transferred in 2008, resulting in the incurrence of certain restructuring and exit costs. Among these costs will be employee severance and related benefits for affected employees in an estimated range of approximately $4.0 million to $5.0 million, all of which relate to the Products segment. These amounts will be paid in 2008 upon the successful transfer of production to Indianapolis and satisfactory performance by the affected employees during the transition period. To date, a charge of $569,000 has been recognized. Other costs are expected to be incurred relating to relocation of goods and equipment and will be recognized as incurred. In the aggregate, including employee costs, we anticipate incurring costs in connection with this restructuring plan in the range of $8.0 million to $10.0 million.

In addition, we may experience costs associated with lease termination or sublease of the South Plainfield facility of as much as $8.0 million. Such costs would be incurred and recognized when we cease use of the property in 2008. However, we do not know at this time what the final use or disposition of the leased South Plainfield facility will be. There is also a possibility that non-cash charges could be incurred related to asset impairments or acceleration of depreciation, if future triggering events occur. At March 31, 2007, our analysis of the future net undiscounted cash flows for the South Plainfield facility assets did not indicate an impairment.

***Royalties Segment***

(millions of dollars)

| | Three Months Ended | | |
|---|---|---|---|
| | March 2007 | % Change | March 2006 |
| Royalty revenue | $ 16.3 | (5) | $ 17.2 |

Royalty revenue for the three months ended March 31, 2007 decreased 5% to $16.3 million as compared to $17.2 million during the comparable three-month period ended March 31, 2006. The reduction in royalties from the prior year period was due primarily to competition for Macugen in the U.S., as expected. The majority of royalties is comprised of royalty revenue we receive on sales of PEG-INTRON which remained relatively stable. We expect competition for PEG-INTRON combination therapy in Japan later this year.

*Costs and expenses*

Current, royalty revenues do not require any material specific maintenance costs. At some point in the future, costs associated with initiation of new outlicensing 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***

(millions of dollars)

| | Three Months Ended | | |
|---|---|---|---|
| | March 2007 | % Change | March 2006 |
| Revenues | $ 2.5 | (22) | $ 3.2 |
| Cost of sales | 2.5 | 1 | 2.4 |
| Segment profit | $ — | (100) | $ 0.8 |

*Revenues*

Contract manufacturing revenue for the three months ended March 31, 2007 was $2.5 million. This compares to $3.2 million for the comparable period of 2006. The decrease in contract manufacturing revenue was primarily attributable to the timing of shipments to our customers.

*Cost of sales*

Cost of sales for contract manufacturing for the three months ended March 31, 2007 at $2.5 million effectively offset sales for the period due principally to certain start-up production costs related to a newly negotiated agreement. This compared to $2.4 million or 75% of sales for the comparable three-month period of 2005.

**Non-U.S Revenue**

During the three months ended March 31, 2007, we had export sales and royalties on export sales of $15.6 million, of which $8.8 million were in Europe. This compares to $15.8 million of export sales in the comparable three-month period of 2006, of which $8.5 million were in Europe.

***Corporate and Other Expense***

(millions of dollars)

| | Three Months Ended | | |
|---|---|---|---|
| | March 2007 | % Change | March 2006 |
| Research and development | $ 10.8 | 89 | $ 5.7 |
| General and administrative | 8.1 | 5 | 7.7 |
| Other (income) expense: | | | |
| Investment income, net | (2.6) | (84) | (15.8) |
| Interest expense | 4.6 | (7) | 4.9 |
| Other, net | (0.1) | n.m. | 0.3 |
| | 1.9 | n.m. | (10.6) |
| Corporate and other expenses | $ 20.8 | n.m. | $ 2.8 |

n.m. — not meaningful

*Research and development.* For the three months ended March 31, 2007, research and development expenses increased by $5.1 million to $10.8 million as compared to the three months ended March 31, 2006. As we have previously indicated, we are significantly expanding our research and development efforts in areas such as rhMBL, PEG-SN38, the HIF-1 alpha antagonist and other LNA - and PEGylation - based programs. This has resulted in hiring of new positions and associated costs. We anticipate that increased levels of research and development expense will continue. In addition, milestone payments to third parties for the successful advancement of our research and development pipeline are expected to total as much as $10.0 million in 2007.

*General and administrative.* The slight increase in general and administrative expense was partially attributable to the share-based compensation expense of options and non-vested shares, the effects of which are incurred in increments over the related vesting periods.

*Other (income) expense.* Other (income) expense for the three months ended March 31, 2007 was net expense of $1.9 million, as compared to net income of $10.6 million for the three months ended March 31, 2006. Other (income) expense includes: net investment income, interest expense and other income or expense.

Net investment income declined by $13.2 million to $2.6 million for the three months ended March 31, 2007 compared with $15.8 million for the three months ended March 31, 2006. The decrease was principally due to the sale in January and February 2006 of our remaining shares of Nektar Therapeutics, Inc. common stock which resulted in a net gain of $13.8 million and cash proceeds of $20.2 million with no comparable gain in the current three-month period.

Interest expense was $4.6 million for the three months ended March 31, 2007 and $4.9 million for the three months ended March 31, 2006 reflecting the improved interest rate mix.

Other, net expense changed from $0.3 million expense to a $0.1 million income between the first quarter of 2006 and 2007, respectively, due in part to small gain resulting from the purchase of $4.0 million of outstanding convertible 4.5% notes payable at a discount to par. This gain was partially offset by the partial write-off of the existing debt offering costs.

***Income taxes***

During the three months ended March 31, 2007, we recorded a net tax benefit of $193,000 which represents state and Canadian tax liabilities and includes an adjustment to taxes payable. No U.S. income tax provision was recorded for the three months ended March 31, 2007 as the estimated annual effective tax rate is zero due to the uncertainty around our ability to utilize our net operating loss carryforwards. During the three months ended March 31, 2006, we recognized a tax expense of $136,000 representing state and Canadian tax liabilities.

In accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), tax benefits of uncertain tax positions are recognized only if it is more likely than not that we will be able to sustain a position taken on an income tax return. Upon adoption of FIN 48 as of January 1, 2007, we had no tax positions relating to open income tax returns that we considered to be uncertain. Accordingly, we had no liability for such uncertain positions nor did we establish such a liability upon adoption of the interpretation.

We file income tax returns in the U.S. federal jurisdiction, and in various state and foreign jurisdictions. With few exceptions, we are no longer subject to tax examination by any of these tax authorities for years before 2000.

Interest and penalties, if any, related to unrecognized tax benefits, would be recognized as income tax expense.

**Liquidity and Capital Resources**

Total cash reserves, which include cash, cash equivalents, short-term investments and marketable securities, were $198.4 million as of March 31, 2007, as compared to $240.6 million as of December 31, 2006. We invest our excess cash primarily in United States government-backed securities and investment-grade corporate debt securities and auction rate securities.

Cash used in operating activities totaled $15.0 million for the three months ended March 31, 2007 compared to cash provided by operating activities of $3.5 million for the three months ended March 31, 2006. Operating income recognized in the first quarter of 2006 of $11.1 million turned to a near break-even in the first quarter of 2007 due in large part to lower revenues and increased research and development spending. Also contributing to cash used in operations in the three months ended March 31, 2007, versus the comparable prior-year period were increases in inventories to preferred levels and reductions in accounts payable.

Investing activities yielded a $12.6 million source of cash in the first quarter of 2007 versus a $55.1 million use of cash a year earlier. Maturities of certain marketable securities were not reinvested and served to fund the operating cash needs during the three months ended March 31, 2007. In addition, in February 2007, we made a $17.5 million payment for a license related to our December 2006 agreement with Ovation Pharmaceuticals, Inc. related to Oncaspar production. This payment had been recorded as an accrued liability as of December 31, 2006.

Redemption of $4.0 million principal amount of the 4.5% notes payable during the first quarter of 2007 was the primary financing cash outflow.

As of March 31, 2007, we had outstanding $275.0 million of convertible senior notes payable that bear interest at an annual rate of 4% and $118.6 million of convertible subordinated notes payable that bear interest at an annual rate of 4.5%. Interest is payable on June 1 and December 1 for the 4% notes and January 1 and July 1 for the 4.5% notes. Accrued interest on the notes was $5.0 million and $3.7 million, respectively as of March 31, 2007 and December 31, 2006.

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 PEG-INTRON; and contract manufacturing revenue. Based upon our currently planned research and development activities and related costs and our current sources of liquidity, we anticipate our current cash reserves and expected cash flow from operations will be sufficient to meet our capital and operational requirements for the near future; however, we may refinance or seek new financing prior to the maturity of our convertible subordinated 4.5% notes in 2008.

While we believe that our current sources of liquidity will be adequate to satisfy our capital and operational needs for the coming twelve months, we are evaluating numerous alternatives for obtaining additional financing, including possible future offerings of equity or debt securities or agreements with collaborators with respect to the development and commercialization of products, to fund future operations and potential acquisitions. We cannot assure you, however, that we will be able to obtain additional funds on acceptable terms, if at all.

**Off-Balance Sheet Arrangements**

As part of our ongoing business, we do not participate in transactions that generate relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities (SPE), which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow limited purposes. As of March 31, 2007, 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 maximum potential dilutive effect of conversion of the 4% notes is 28.8 million shares. Our 4.5% notes have a conversion price of $70.98 per share. Consequently, dilution related to the 4.5% notes is remote. 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 8.5 million shares of our common stock at a weighted average exercise price of $11.48 per share and 1.6 million restricted stock units were outstanding at March 31, 2007 that represent additional potential dilution.

**Contractual Obligations**

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

During the three months ended March 31, 2007, we made payments of $5.0 million relating to the milestone for filing the HIF-1 alpha antagonist IND, $17.5 million to Ovation to secure the long-term supply of L-asparaginase, and $7.0 million for related legal services associated with the new supply agreement.

Other than as disclosed above, 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, 2006.

**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. All professional accounting standards effective as of March 31, 2007 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 significant because changes to certain judgments and assumptions inherent in these policies could affect our consolidated financial statements.

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

Revenues

Revenues from product sales and contract manufacturing revenue are recognized when title passes to the customer, generally at the time of shipment. For product sales, we also 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 continually monitor the adequacy of the accruals by comparing the actual payments and returns to the estimates used in establishing the accruals.

We recognize revenues for Abelcet at the time of sale to the wholesaler. Sales of Oncaspar and DepoCyt are recorded when product is shipped by our third-party distributor to the end-user. 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 changes. 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 Medicaid 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 reductions of gross sales accrued as of March 31, 2007 and December 31, 2006 (in thousands):

| | March 31, 2007 | December 31, 2006 |
|---|---|---|
| Accounts Receivable Reductions | | |
| Chargebacks | $ 2,787 | $ 3,388 |
| Cash discounts | 155 | 168 |
| Other (including returns) | 1,919 | 1,767 |
| Total | 4,861 | 5,323 |
| Accrued liabilities | | |
| Medicaid rebates | 855 | 1,335 |
| Administrative fees | 200 | 205 |
| Total | 1,055 | 1,540 |
| Grand Total | $ 5,916 | $ 6,863 |

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.

Non-refundable milestone payments that represent the completion of a separate earnings process are recognized as revenue when earned, upon the occurrence of contract-specified events and when the milestone has substance. Non-refundable payments received upon entering into 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

Under the asset and liability method of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS No. 109), deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance on net deferred tax assets is provided for when it is 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.

In accordance with FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48), tax benefits of uncertain tax positions are recognized only if it is more likely than not that the Company will be able to sustain a position taken on an income tax return.

Available-for-Sale Securities

We assess the carrying value of our available-for-sale securities in accordance with FASB Staff Position (FSP) 115-1, "The Meaning of Other-Than-Temporary Impairment and its application to Certain Investments." An impairment write-down is recorded when a decline in the value of an investment is determined to be other-than-temporary. These determinations involve a significant degree of judgment and are subject to change as facts and circumstances change.

Long-Lived Assets

Long-lived assets, including amortizable intangible assets are tested for impairment in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This testing is performed when an impairment indicator is present. An impairment indicator is one or more 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.

SFAS No. 144 testing for the recoverability of long-lived assets is performed initially by comparing the carrying amount of the asset to the future undiscounted net cash flows to be generated by the asset or asset group. 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 intangible assets must be estimated and we would record an impairment charge for any excess of the carrying amount over the fair value. These evaluations involve amounts that are based on management's best estimates and judgment. Actual results may differ from these estimates.

Share-Based Payment

We account for share-based compensation in accordance with SFAS No. 123R, "Share-Based Payment." SFAS No. 123R establishes standards for the accounting for transactions in which an entity exchanges its equity instruments for goods or services and requires that the compensation cost relating to share-based payment transactions be recognized in the financial statements, measured by the fair value of the equity or liability instruments issued, adjusted for estimated forfeitures. Until we have developed sufficient reliable Enzon-specific information, we are using relevant industry data for purposes of estimating forfeitures of share-based payments. In the near term, as more stratified data come available, rates will be adjusted using blended information. We have elected the modified prospective transition method for SFAS No. 123R which requires that compensation costs be recorded, as earned, for all unvested stock options and restricted stock awards and restricted stock units outstanding at July 1, 2005.

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

Fair value of share-based payments is determined using the Black-Scholes valuation model which employs weighted average assumptions for expected volatility of the Company's stock, expected term until exercise of the options, the risk free interest rate, and dividends, if any. Expected volatility is based on historical Enzon stock price information.

**Recently Issued Accounting Standards**

The FASB has issued two pronouncements that will become effective for us as of the first quarter of 2008 relating to measuring financial instruments at fair value. We are in the process of evaluating the new standards but do not, at this time, anticipate that either will have any material effect on our consolidated financial position or results of operations. Certain financial statement disclosures will be revised, however, to conform to the new guidance. SFAS No. 157, "Fair Value Measurements" provides guidance on the use of fair value in such measurements and prescribes expanded disclosures about fair value measurements contained in financial statements. Once SFAS No. 157 is adopted, SFAS No. 159 can be adopted which allows companies the option to measure many financial assets and financial liabilities at fair value on a contract-by-contract basis.

On May 2, 2007, a FASB Staff Position amended FIN 48 to provide guidance on how an enterprise should determine whether a tax position is effectively settled for the purpose of recognizing previously unrecognized tax benefits. This guidance, which is effective immediately, had no impact on our consolidated financial statements as of and for the three month period ended March 31, 2007.

**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 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 results is contained in our filings with the U.S. Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2006. 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 undertake no duty to update this information.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

Our holdings of financial instruments are comprised of debt securities and time deposits. All such instruments are 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. We typically invest the majority of our investments in the shorter-end of the maturity spectrum.

The table below presents the principal amounts 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 March 31 of the year indicated) as of March 31, 2007 (in thousands):

| | 2008 | 2009 | Maturities Beyond Five Years | Total | Fair Value |
|---|---|---|---|---|---|
| Fixed Rate | $116,940 | $ 10,941 | $ — | $127,881 | $127,670 |
| Average Interest Rate | 4.88% | 4.42% | — | 4.85% | |
| Variable rate | 25,052 | 4,300 | 17,175 | 46,527 | 46,443 |
| Average interest rate | 4.55% | 4.42% | 5.27% | 4.80% | |
| | $141,992 | $ 15,241 | $ 17,175 | $174,408 | $174,113 |

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 unsecured notes in the principal amount of $275.0 million at March 31, 2007 are due June 1, 2013 and have a fair value of $292.9 million at March 31, 2007.

Our 4.5% convertible subordinated notes in the principal amount of $118.6 million are due July 1, 2008 and have a fair value of $116.7 million at March 31, 2007.

**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 March 31, 2007. Based on the evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of March 31, 2007.

**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) |
| 10.1 | Amended and Restated Employment Agreement with Jeffrey H. Buchalter dated April 27, 2007** | * |
| 10.2 | 2007 Outside Director Compensation Plan** | * |
| 31.1 | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | * |
| 31.2 | Certification of Principal Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 | * |
| 32.1 | Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | * |
| 32.2 | Certification of Principal Accounting Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 | * |

* Filed herewith.

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

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) Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 filed on August 3, 2006.

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

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

## 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)

By: /s/ Jeffrey H. Buchalter
Jeffrey H. Buchalter
President and Chief Executive Officer
(Principal Executive Officer)

Date: May 4, 2007

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

Exhibit 10.1

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT**

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT** (this "Agreement") dated as of April 27, 2007, between Enzon Pharmaceuticals, Inc. (the "Company"), a Delaware corporation with offices in Bridgewater, New Jersey, and Jeffrey H. Buchalter (the "Executive"), a resident of Warren, New Jersey.

**WHEREAS**, the Company and the Executive are parties to that certain Employment Agreement, dated as of December 22, 2004 (the "Employment Agreement").

**WHEREAS**, the Company and the Executive desire to amend and restate the Employment Agreement as set forth in this Amended and Restated Employment Agreement.

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

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

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

2. Term. The term of the Executive's employment hereunder commenced on December 22, 2004 (the "Commencement Date"), and unless terminated at an earlier date in accordance with Section 9 hereof, shall extend through such date, not earlier than December 31, 2009, which is twelve (12) months following the date on which either party hereto receives written notice (a "notice of non-renewal") from the other party that such other party does not wish for the term hereof to continue beyond such twelve (12) month period (the "Term"). Subject to possible earlier termination in accordance with Section 9 hereof, unless and until a notice of non-renewal is given by a party, the Term shall always have at least twelve (12) months remaining, and all of the provisions of this Agreement shall continue in full force and effect during such period.

3. Position and Duties.

(a) Service with Company. During the term of the Executive's employment, the Executive shall serve in the positions of President and Chief Executive Officer of the Company and the chairman of the Company's Board of Directors (the "Board") (the "Chairman of the Board"), and Executive shall have the authority, duties and responsibilities associated with those positions, including, without limitation, the authority and duty generally to supervise and direct the business of the Company, subject to the control and direction of the Board and of any duly authorized Committee of the Board.

(b) Performance of Duties.

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

(ii) Executive has provided the Company with: 1) a draft of a Consulting Agreement between Executive and Genzyme Corporation ("Genzyme") (such draft substantially in the form as previously sent to the Company being the "Consulting Agreement"); and 2) the Employment Agreement, dated as of January 1, 2002, agreed to by Executive and Executive's former employer (the "Employee Agreement") which, to the best of Executive's knowledge, are the only agreements which could arguably restrict or interfere with his employment activities subsequent to the termination of his employment with such former employer. Company agrees that the execution by Executive of and the performance by Executive of his obligations under the Consulting Agreement shall not constitute a breach of this Agreement, and Company specifically authorizes Executive to fulfill the terms of the Consulting Agreement. Further, in the event that Genzyme elects not to execute the Consulting Agreement or in the event the Consulting Agreement is terminated (other than termination by or at the behest of the Executive or as a result of Executive's refusal to perform the services required of him under the Consulting Agreement, provided such refusal to perform is not related to Executive's employment pursuant to this Agreement) then the Company shall pay to Executive an amount which is equal to 50% of the payments which would have been payable to Executive under the Consulting Agreement and were not paid by Genzyme (such payments by the Company being referred to herein as "Consulting Agreement Payments"). Any Consulting Agreement Payments made by the Company to Executive shall be made at the same time (the "Consulting Agreement Payment Date") and subject to the same conditions as the corresponding payments which would have been made to Executive under the Consulting Agreement. In no event shall the Consulting Agreement Payments made by the Company exceed $750,000. The Company and the Executive agree that any Consulting Agreement Payments required to be made by the Company pursuant to this 3(b)(ii) shall be in the form of shares of the Company's common stock (the "Common Stock") issued pursuant to the Company's 2001 Incentive Stock Plan, as amended (the "Stock Plan") and the number of shares of Common Stock to be issued to the Executive as a Consulting Agreement Payment shall be determined by dividing the amount of the Consulting Agreement Payment by the last reported sale price of a share of Common Stock as reported by the Nasdaq Stock Market on any such Consulting Agreement Payment Date or, if the Nasdaq Stock Market is not open on such Consulting Agreement Payment Date, on the day next preceding such Consulting Agreement Payment Date on which the Nasdaq Stock Market is open. Any tranche of shares of Common Stock issued to the Executive pursuant to this Section 3(b)(ii) shall vest in three equal amounts on each of the first three anniversary dates of the Consulting Agreement Payment Date on which they were issued. Executive shall pay to the Company an amount equal to the aggregate par value of any such Common Stock issued pursuant to this Section 3(b)(ii) at the time of issuance. The grant of such Common Stock shall be represented by, and subject to, the terms of a restricted stock agreement substantially similar to the agreement annexed hereto as Exhibit B. If the number of shares of Common Stock available for issuance under the Stock Plan on any Consulting Agreement Payment Date is not sufficient to enable the Company to meet its obligations under this Paragraph, then the Company shall cover any deficiency in the required payment amount by making an additional payment in the form of cash or, at the Company's sole option, shares of Common Stock issued outside of the Stock Plan. Prior to the issuance of any Common Stock pursuant to this Section 3(b)(ii) to the Executive, the Company shall cause such issuance to be registered under the Securities Act of 1933, as amended (the "1933 Act"), such that Executive will be able to sell such common stock without complying with the holding period required under Rule 144 promulgated under the 1933 Act.

(iii) Executive agrees that he will not use on behalf, or for the benefit, of the Company or disclose to the Company any confidential information of or concerning his former employer or, to the extent prohibited by the Consulting Agreement, Genzyme. It is the Company's intention that Executive not breach any confidentiality agreement he may have with his former employer or Genzyme. Based on his knowledge of his former employer's business and confidential information and the information concerning the Company's business heretofore provided to Executive by the Company or publicly available, to the best of Executive's knowledge, his entering into and performing this Agreement will not constitute a breach of the Employee Agreement or the Consulting Agreement as same may be executed by Executive and Genzyme or any other obligation of the Executive. Executive will not render or perform services for any other corporation, firm, entity or person which are inconsistent with the provisions of this Agreement other than pursuant to the terms of the Consulting Agreement.

(iv) While he remains employed by the Company, the Executive may participate in reasonable charitable activities and personal investment activities so long as such activities do not conflict or interfere with the performance of his obligations under this Agreement. Subject to the prior approval of the Board, which will not be unreasonably withheld, Executive may join and serve on the board of directors of other companies, provided that such other company is not a competitor of the Company and such service would not interfere with Executive's obligations to the Company hereunder or involve or potentially involve a conflict of interest, as determined by the Board.

4. Compensation.

(a) Base Salary. The Company shall pay to the Executive, less applicable deductions and withholdings, base salary (the "Base Salary") at an annual rate of Seven Hundred Seventy Five Thousand Dollars ($775,000) per year, which Base Salary shall be paid in accordance with the Company's normal payroll procedures and policies for its senior management. The compensation payable to Executive during each fiscal year of the Company shall be established by the Board or the Compensation Committee thereof following an annual performance review, but in no event shall the annual rate of Base Salary for any successive year of the Term be less than the highest annual rate of Base Salary in effect during the previous year of the Term.

(b) Annual Bonus. Commencing with the fiscal year ending June 30, 2005, Executive shall be entitled to participate in the Company's bonus plan for management and any successor bonus plan covering management (the "Bonus Plan"). Under the Bonus Plan, the Executive shall be eligible to receive a performance-based cash bonus for each year of employment (commencing July 1, 2004) in an amount, and based on individual and/or corporate objectives, targets and factors (and evaluation as to the extent of achievement thereof), to be established and determined by the Board in its discretion following consultation between the Board and Executive prior to, or within sixty (60) days after the commencement of, each fiscal year (the "Performance Criteria"). Under the Bonus Plan for Executive, (i) the minimum cash bonus shall be zero (0), (ii) the target cash bonus shall equal 100% of the Base Salary (the "Target Bonus"), and (iii) the maximum cash bonus shall equal 200% of Base Salary. Notwithstanding the foregoing, and subject to the provisions of Section 10 hereof Executive shall be entitled to receive a guaranteed minimum cash bonus in the amount of Four Hundred Twelve Thousand Five Hundred Dollars ($412,500) for the fiscal year ending June 30, 2005, which bonus shall be payable in July 2005 (the "2005 Bonus"). Within sixty (60) days after the end of each fiscal year, the Board, based upon its evaluation as to the extent of Executive's achievement of the Performance Criteria, shall award Executive his performance-based cash bonus, if any, hereinafter referred to as the "Earned Bonus."

(c) Participation in Benefit Plans; Indemnification. While he is employed by the Company, Executive shall also be eligible to participate in any incentive and employee benefit plans or programs which may be offered by the Company to the extent that Executive meets the requirements for each individual plan and in all other plans in which Company executives participate. The Company provides no assurance as to the adoption or continuance of any particular employee benefit plan or program, and Executive's participation in any such plan or program shall be subject to the provisions, rules and regulations applicable thereto. To the extent the Company's group life insurance plan available for Executive provides for a death benefit of less than $3 million and the Company's long-term disability insurance policy provides for an annual disability benefit to Executive of less than $500,000, the Company shall reimburse Executive for an aggregate of up to $15,000 per year to cover Executive's cost of acquiring supplemental group term life insurance and supplemental long-term disability insurance to provide benefits that cover the foregoing deficiencies in coverage under the Company's policies. The Company shall indemnify Executive and hold him harmless from and against any claim, liability and expense (including, without limitation, reasonable attorney fees) made against or incurred by him in connection with his employment by the Company or his membership on the Board, in a manner and to an extent that is not less favorable to the Executive as the indemnification protection that is afforded by the Company to any other senior officer or director and that is consistent with industry custom and standards.

(d) Expenses. The Company will pay or reimburse Executive for all reasonable and necessary out-of-pocket expenses incurred by him in the performance of his duties under this Agreement, subject to the Company's normal policies for expense verification. The Company shall also reimburse Employee for the reasonable and necessary costs of relocating his household goods from San Antonio and other reasonable and necessary moving and interim housing expenses incurred in connection with the move of Employee and his family from San Antonio, Texas to the New Jersey area. Such reasonable and necessary moving and interim housing expenses shall include, but not be limited to (1) realtor commissions and customary closing costs in connection with the sale of his home in Texas and interim loan closing costs and permanent loan closing costs relating to the acquisition of his home in the New Jersey area, (2) interest payments on the mortgage loan relating to his home in Texas until such time as his home in Texas shall have been sold and (3) extra or redundant costs (other than the principal payments on his mortgage loan relating to his home in Texas) associated with, or incurred in connection with, the continued ownership of his home in Texas pending its sale. In addition, the Company shall provide an additional payment to Executive such that after taking into account any taxes on such payment, Executive shall retain a sufficient amount equal to any income tax liability incurred by Executive in connection with the foregoing payments and reimbursements under this subparagraph (d)(i).

(i) The Company will also bear the cost of a corporate country club membership, at Fiddler's Elbow Country Club, for use by Executive during the Term. Subject to the accuracy of the representations by Executive in Section 3(b) hereof, the Company shall reimburse Executive for all reasonable costs incurred by Executive in defending any action by Executive's prior employer or Genzyme which seeks to prevent or restrict Executive from performing his duties and obligations to the Company hereunder.

(e) Stock Options.

(i) Subject to Executive commencing his employment hereunder as the Company's President and Chief Executive Officer on the Commencement Date, Executive shall be granted an option to purchase 725,000 shares of Common Stock (the "Option") pursuant to the Stock Plan and the form of Non-Qualified Stock Option Agreement attached hereto as Exhibit A (the "Option Agreement") with an exercise price per share equal to the last reported sale price of a share of Common Stock as reported by the Nasdaq Stock Market on the Commencement Date or, if the Nasdaq Stock Market is not open on the Commencement Date, on the day next preceding the Commencement Date on which the Nasdaq Stock Market is open. The Option shall vest and be exercisable as to 225,000 shares on the Commencement Date, and as to an additional 125,000 shares on each of the first four anniversaries of the Commencement Date. In addition, at the discretion of the Board of Directors (or its applicable committee), Executive shall be entitled to receive further grants of stock options, subject to the terms of the Stock Plan.

(ii) The Option shall immediately and fully vest and become exercisable when the last reported sale price of a share of the Common Stock is at least one hundred dollars ($100.00) as reported on the Nasdaq Stock Market for at least twenty (20) consecutive trading days, provided that, except as otherwise provided in Section 10 hereof, Executive is then employed by the Company. Except as otherwise provided in Section 10 hereof, once the Option becomes exercisable it shall remain exercisable until 5:00 p.m. New York City time on the tenth (10th) anniversary of the Commencement Date. Except as otherwise provided in this Agreement, the Option Agreement, a copy of which Executive has received and reviewed, shall govern the terms of the Option.

(f) Restricted Stock. Subject to Executive commencing his employment hereunder as the Company's President and Chief Executive Officer, no later than ten (10) days after the Commencement Date, Executive shall be issued 75,000 shares of Common Stock (the "Restricted Stock") pursuant to the Stock Plan, which shares shall vest as to 22,500 shares on each of the third and fourth anniversaries of the Commencement Date and as to 30,000 shares on the fifth anniversary of the Commencement Date. Executive shall pay $750 to the Company for the Restricted Stock. The grant of the Restricted Stock shall be represented by, and subject to, the terms of the Restricted Stock Agreement annexed hereto as Exhibit B. Prior to the issuance of the Restricted Stock to the Executive, the Company shall cause such issuance to be registered under the Securities Act of 1933, as amended (the "1933 Act"), such that Executive will be able to sell the Restricted Stock without complying with the holding period required under Rule 144 promulgated under the 1933 Act.

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

(h) Tax and Financial Planning Services. During each year of the term of this Agreement, Company agrees to reimburse Executive, up to $10,000 per fiscal year, for the costs of all tax return preparation, including any United States, state, or local returns, as well as for professional estate and financial planning services, if any, with Executive choosing the tax and other professionals who will provide such services. In addition, the Company shall pay or reimburse the Executive for reasonable legal fees incurred in connection with this Agreement.

5. Noncompetition and Confidentiality Covenant.

(a) Noncompetition. The "Noncompete Period" shall be (i) the period of Executive's employment with the Company, and (ii) (A) the two (2) year period immediately following termination of Executive's employment with the Company in the event the Company terminates Executive's employment for Cause pursuant to Section 9(a)(iii) hereof, Executive voluntarily terminates his employment (but not any termination by Executive for Good Reason pursuant to Section 9(c) hereof) or Executive's employment is terminated in a manner which entitles him to severance payments under Section 10 hereof or (B) the one (1) year period following termination of Executive's employment with the Company if the Term ends as a result of a notice of non-renewal under Section 2 hereof. In consideration for the compensation payable to Executive pursuant to this Agreement, including without limitation the Option and Restricted Stock granted to Executive hereunder, during the Noncompete Period, Executive will not directly, or indirectly, whether as an officer, director, stockholder, partner, proprietor, associate, employee, consultant, representative or otherwise, become, or be interested in or associated with any other person, corporation, firm, partnership or entity, engaged to a significant degree in (x) developing, manufacturing, marketing or selling enzymes, protein-based biopharmaceuticals or other pharmaceuticals that are modified using polyethylene glycol ("PEG"), (y) developing, marketing or selling single-chain antigen-binding proteins or (z) any technology or area of business in which the Company becomes involved to a significant degree during the period of Executive's employment with the Company. For purposes of the preceding sentence, to determine whether any entity is engaged in such activities to a "significant degree", comparison will be made to the Company's operations at that time. In other words, an entity will be deemed to be engaged in an activity to a significant degree if the number of employees and/or amount of funds devoted by such entity to such activity would be material to the Company's operations at that time. Notwithstanding anything to the contrary contained herein, Executive shall be entitled to work with or for (i) an entity that is developing, marketing or manufacturing monoclonal antibodies, (ii) a licensee of the Company if the only activities conducted by such licensee that would be covered by the restrictions in this Section 5(a) are conducted pursuant to, and covered by, the license granted by the Company and (iii) an entity that is engaged in a research project that would be covered by the restrictions in this Section 5(a) if such research project is not material to such entity and Executive would have no direct involvement in such research project; provided in the case of employment covered by clauses (ii) and (iii) Executive shall have provided the Board with a detailed description of the proposed employment and obtained the written consent of the Board (which consent will not be unreasonably withheld) prior to commencing any such employment. Executive is hereby prohibited from ever using any of the Company's proprietary information or trade secrets to conduct any business, except for the Company's business while Executive is employed by the Company as provided in Section 5(b) hereof. The provisions contained in this Section 5(a) shall survive the termination of Executive's employment pursuant to Section 9 hereof or otherwise. In the event Executive breaches any of the covenants set forth in this Section 5(a), the running of the period of restriction set forth herein shall be tolled for the period during which the breach exists and recommence upon Executive's compliance with the terms of this Section 5(a).

(b) Confidentiality.

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

(ii) All records, designs, patents, business plans, financial statements, manuals, memoranda, lists, research and development plans and products, and other property delivered to or compiled by Executive for or on behalf of the Company or its vendors or customers that pertain to the business of the Company shall be and remain the property of the Company, and be subject at all times to its discretion and control. Likewise, all formulae, correspondence, reports, records, charts, advertising materials and other similar data pertaining to the business, activities or future plans of the Company (and all copies thereof) that are collected by Executive shall be delivered promptly to the

Company without request by it upon termination of Executive’s employment.

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

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

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

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

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

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

(d) Disclosure. Executive shall disclose to any prospective employer, prior to accepting or continuing employment, the existence of Section 5 of this Agreement and shall provide such prospective employer with a copy of Section 5 of this Agreement. The obligation imposed by this subsection 7(d) shall terminate two years after the termination of Executive's employment with the Company.

8. Intellectual Property and Related Matters.

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

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

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

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

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

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

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

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

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

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

9. Termination of Employment.

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

(i) Executive dies,

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

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

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

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

(b) "Cause" Defined. "Cause" shall mean (i) the willful engaging by Executive in illegal conduct or gross misconduct which is demonstrably and materially injurious to the

Company, (ii) Executive's refusal to attempt to perform his obligations to the Company hereunder (other than any such failure resulting from illness or incapacity), which refusal is demonstrably and materially injurious to the Company, but only after Executive has first received prior written notice of such alleged refusal, and fifteen (15) days thereafter to perform his obligations to the Company, or (iii) Executive's breach of his obligations under this Agreement, which breach is demonstrably and materially injurious to the Company, but only after Executive has first received prior written notice of such alleged breach and fifteen (15) days thereafter to perform his obligations to the Company For purposes of this Section 9(b), no act or failure to act on Executive's part shall be deemed "willful" unless done, or omitted to be done, by Executive not in good faith and without reasonable belief that Executive's action of omission was in the best interest of the Company. Notwithstanding the foregoing, Executive shall not be deemed to have been terminated for Cause unless and until the Company delivers to Executive a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board (not including Executive) at a meeting of the Board called and held for such purpose (after reasonable notice to Executive and an opportunity for Executive, together with counsel, to be heard before the Board) finding that, in the good faith opinion of the Board, Executive engaged in conduct set forth above and specifying the particulars thereof in reasonable detail.

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

(i) Any material adverse change in Executive's status or position, including, without limitation, any material adverse change in Executive's status or position as a result of a diminution in Executive's position, duties, responsibilities or authority or the assignment to Executive of any duties or responsibilities which are inconsistent with Executive's status or position, or any removal of Executive from or any failure to reappoint or reelect Executive to such positions, it being understood that Executive's not holding the positions of President, Chief Executive Officer and Chairman of the Board, at any time and for any reason without the Executive's written consent will constitute Good Reason hereunder; or

(ii) The failure of the Board to continue to maintain Executive as Chairman of the Board at all times during the Term; or

(iii) The failure of the Board to nominate Executive for reelection to the Board and recommend to the Company's stockholders that they vote in favor of Executive's reelection to the Board upon expiration of Executive's term on the Board at any time during the Term; or

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

(v) A reduction in the Target Bonus which could be paid to Executive under the Bonus Plan below 100% of Executive's Base Salary or a failure to pay when due any Earned Bonus (including, without limitation, the guaranteed bonus for the fiscal year ending June 30, 2005 under

Section 4(c) hereof), provided however, that the Company's failure to actually award any bonus to Executive, or the Company's actually awarding a bonus to Executive which is less than the Target Bonus, shall not constitute Good Reason; or

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

(vii) The relocation of the Company's principal executive offices to a location more than thirty-five (35) miles from the location of such offices or the Company requiring Executive to be based anywhere other than the Company's principal executive offices, except for required travel substantially consistent with Executive's business obligations.

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

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

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

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

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

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

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

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

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

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

10. Effect of Termination.

(a) Termination Without Cause or for Good Reason .

In the event the Company terminates Executive's employment as the Company's President and Chief Executive Officer without Cause pursuant to Section 9(a)(iv) hereof or Executive terminates such employment for Good Reason pursuant to Section 9(c) hereof,

(i) Executive shall receive a lump sum cash payment equal to the sum of (1) any Base Salary payable through the date of termination and any Earned Bonus which remains unpaid as of the date of termination; (2) an amount equal to 400% of the Executive's Base Salary in effect at the time of his termination (or, if greater, the highest Base Salary in effect for any prior year); and (3) the pro rata portion of the Target Bonus (based on the Base Salary described in (i)(2) above) for the period worked during the fiscal year in which his termination occurs;

(ii) if Executive, and any spouse and/or dependents ("Family Members") has medical, dental and vision coverage on the date of such termination under a group health plan sponsored by the Company, then, for the first four (4) years following the date of such termination, the Company will pay the full cost of continuing at least comparable medical, dental and vision coverage for the Executive and his covered Family Members and the full cost of continuing at least comparable term life and long-term disability insurance benefits, provided, that the Company shall have no obligation to pay for such coverage if and to the extent the Executive and/or his Family Members become entitled to receive comparable benefits from and at the expense of a subsequent employer;

(iii) the restricted stock (and/or cash equivalent, if any) granted to Executive pursuant to Section 3(b)(ii) and the Restricted Stock granted pursuant to Section 4(f) hereof shall vest immediately upon termination;

(iv) to the extent the Option granted to Executive pursuant to Section 4(e) hereof has not vested at the time of such termination the Option will vest immediately upon termination;

(v) the Option granted to Executive pursuant to Section 4(e) hereof which has vested or become vested at the time or as a result of such termination will remain exercisable until its expiration date; and

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

(b) Termination For Cause. In the event the Company terminates Executive's employment as the Company's President and Chief Executive Officer for Cause pursuant to Section 9(a)(iii) hereof, (i) Executive shall be entitled to receive payment of any Base Salary payable through the date of termination and any Earned Bonus which remains unpaid as of the date of termination, (ii) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination, (iii) to the extent the Option granted to Executive pursuant to Section 4(e) hereof has vested prior to the date of Executive's termination the Option shall remain exercisable with respect to such vested portion of the Option for a period of six months following Executive's termination, (iv) to the extent the Option granted to Executive pursuant to Section 4(e) hereof has not vested prior to the date of Executive's termination the Option will terminate with respect to such unvested portion of the Option as of the date of such termination and will be of no further force and effect, and (v) Executive will forfeit all unvested restricted stock (and/or cash equivalent, if any) granted to Executive pursuant to Section 3(b)(ii) and the Restricted Stock granted pursuant to Section 4(f) hereof.

(c) Death. In the event Executive's employment as the Company's President and Chief Executive Officer is terminated as a result of Executive's death, (i) Executive's estate or Executive's duly designated beneficiaries shall be entitled to payment of any Base Salary payable through the date of Executive's death and any Earned Bonus which remains unpaid as of the date of Executive's death, (ii) Executive's estate or Executive's duly designated beneficiaries shall be entitled to a pro rata amount of the Target Bonus (based on the Base Salary at the time of death) for the fiscal year in which he dies, (iii) the Option granted under Section 4(e) hereof and the restricted stock (and/or cash equivalent, if any) granted under Section 3(b)(ii) and the Restricted Stock granted pursuant to Section 4(f) hereof shall become fully vested and, if applicable, exercisable, with the Option remaining exercisable until the earlier of (A) three years from the date of death and (B) the end of the remaining stated exercise term of the Option, and (iv) Executive's estate or Executive's duly designated beneficiaries shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's death. If Executive's Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse such Family Member for the total applicable premium cost for medical and dental coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, 29 U.S.C. Sections 1161-1168; 26 U.S.C. Section 4980B(f), as amended, and all applicable regulations (referred to collectively as "COBRA") for such Family Members for a period of up to thirty-six (36) months commencing on the date of such termination; provided the Company shall have no obligation to reimburse such Family Members for the premium cost of COBRA coverage as of the date they become eligible to obtain comparable benefits from another employer.

(d) Disability. Upon termination of Executive's employment as the Company's President and Chief Executive Officer on account of Executive's disability pursuant to Section 9(a)(ii) hereof, (i) Executive shall be entitled to payment of any Base Salary payable through the commencement of long term disability payments to Executive under any plan provided or paid for by the Company and any Earned Bonus which remains unpaid as of the date of the termination of employment, (ii) Executive shall be entitled to a pro rata amount of the Target Bonus (based on the Base Salary at the time of such termination) for the fiscal year in which his employment is terminated, (iii) Executive shall be entitled to all compensation and benefits to which Executive is entitled pursuant to the Company's disability policies in effect as of the date of Executive's termination, (iv) the Option granted under Section 4(e) hereof and the restricted stock (and/or cash equivalent, if any) granted under Section 3(b)(ii) and the Restricted Stock granted pursuant to Section 4(f) hereof shall become fully vested and, if applicable, exercisable, with the Option remaining exercisable until the earlier of (A) three years from the date of such termination of Executive's employment on account of Executive's disability and (B) the end of the remaining stated exercise term of the Option; and (v) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to or as a result of Executive's termination. If Executive and his Family Members have medical and dental coverage on the date of such termination under a group health plan sponsored by the Company, the Company will reimburse Executive for the total applicable premium cost for medical and dental coverage under COBRA for Executive and his Family Members for a period of up to eighteen (18) months commencing on the date of such termination; provided the Company shall have no obligation to reimburse Executive and his Family Members for the premium cost of COBRA coverage as of the date they become eligible to obtain comparable benefits from another employer.

(e) Voluntary Resignation. In the event Executive voluntarily terminates his employment as the Company's President and Chief Executive Officer, other than for Good Reason, or delivers to the Company a notice of non-renewal of this Agreement pursuant to Section 2 hereof, (i) Executive shall be entitled to receive payment of any Base Salary payable through the date of termination and any Earned Bonus which remains unpaid as of the date of termination, (ii) Executive shall continue to be entitled to any deferred compensation and other unpaid amounts and benefits earned and vested prior to Executive's termination, (iii) to the extent the Option granted to Executive pursuant to Section 4(e) hereof has vested prior to the date of such termination the Option shall remain exercisable with respect to such vested portion of the

Option for a period of twelve months following such termination, (iv) to the extent the Option granted to Executive pursuant to Section 4(e) hereof has not vested prior to the date of such termination the Option will terminate with respect to such unvested portion of the Option as of the date of such termination and will be of no further force and effect, and (v) Executive will forfeit all unvested restricted stock (and/or cash equivalent, if any) granted to Executive pursuant to Section 3(b)(ii) and all unvested Restricted Stock granted pursuant to Section 4(f) hereof.

(f) Termination Without Cause or For Good Reason In Connection With A Change in Control. In the event the Company terminates Executive's employment as the Company's President and Chief Executive Officer without Cause pursuant to Section 9(a)(iv) hereof or Executive terminates such employment for Good Reason pursuant to Section 9(c) hereof within the period which commences ninety (90) days before and ends two (2) years following a Change in Control, in lieu of the provisions of Section 10(a) hereof,

(i) Executive shall receive a lump sum cash payment equal to the sum of (1) any Base Salary payable through the date of termination and any Earned Bonus which remains unpaid as of the date of termination, (2) the pro rated portion of the Target Bonus (based on the Base Salary at the time of such termination or, if higher, at the time during the 12 months preceding the Change in Control) for the period worked during the fiscal year in which such termination occurs, and (3) the product of 6 and Executive's annual rate of Base Salary at the time of such termination (or, if higher, at any time during the 12 months preceding the Change in Control);

(ii) if Executive and his Family Members have medical, dental and vision coverage on the date of such termination under a group health plan sponsored by the Company, then, for the first six (6) years following the date of such termination, the Company will pay the full cost of continuing at least comparable medical, dental and vision coverage for the Executive and his covered Family Members and the full cost of continuing at least comparable term life and long-term disability insurance benefits; provided, that the Company shall have no obligation to pay for coverage if and to the extent the Executive and his Family Members become entitled to receive comparable benefits from and at the expense of a subsequent employer; and

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

In the event the Executive becomes entitled to payments and/or the accelerated vesting of the Option and/or restricted stock under this Section 10(f) or Section 10(h) or any other payments or benefits which are deemed to contingent upon a change in ownership or control pursuant to Section 280G of the Internal Revenue Code ("Code"), the Company shall cause its independent auditors promptly to review, at the Company's expense, the applicability of Section 4999 of the Code to such payments and/or vesting. If such auditors shall determine that any payment or distribution of any type by the Company to Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise (the "Total Payments"), would be subject to the excise tax imposed by Section 4999 of the Code, or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest and penalties, are collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional cash payment (a "Gross-Up Payment") within 30 days of such determination equal to an amount such that after payment by Executive of all taxes (including any interest or penalties imposed with respect to such taxes), including any Excise Tax, imposed upon the Gross-Up Payment, Executive would retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Total Payments. For purposes of the foregoing determination, Executive's tax rate shall be deemed to be the highest statutory marginal state and Federal tax rate (on a combined basis) (including his share of F.I.C.A. and Medicare taxes) then in effect. If no determination by the Company's auditors is made prior to the time a tax return reflecting the Total Payments is required to be filed by Executive, Executive will be entitled to receive a Gross-Up Payment calculated on the basis of the Total Payments reported by Executive in such tax return, within 30 days of the filing of such tax return. In all events, if any tax authority determines that a greater Excise Tax should be imposed upon the Total Payments than is determined by the Company's independent auditors or reflected in Executive's tax return pursuant to this Section 10(f), the Executive shall be entitled to receive the full Gross-Up Payment calculated on the basis of the amount of Excise Tax determined to be payable by such tax authority from the Company within 30 days of such determination.

(g) All payments made to Executive under any of the subsections of this Section 10 which are based upon Executive's salary or Bonus shall be made at or as soon as practicable after the termination of Executive's employment.

(h) Notwithstanding anything to the contrary contained herein or in any other agreement or plan, immediately prior to the occurrence of a Change of Control, the Option granted under Section 4(e) hereof and the restricted stock (and/or cash equivalent, if any) granted under Section 3(b)(ii) and the Restricted Stock granted pursuant to Section 4(f) hereof shall become fully vested and, if applicable, exercisable, it being understood that Executive will be entitled to participate in such transaction with respect to all of the shares covered by such awards.

(i) Notwithstanding anything to the contrary contained herein, if Executive's employment with the Company terminates or is deemed terminated before the payment in full of the $412,500 guaranteed minimum bonus for 2005 (described in Section 4(b) hereof) and the Consulting Agreement Payments (determined under Section 3(b) hereof), then, unless Executive's employment is terminated by him voluntarily without Good Reason or by the Company for Cause, the Executive shall be entitled to receive from the Company (1) the full amount of the guaranteed minimum bonus promptly after the termination of his employment, and (2) the balance of the Consulting Agreement Payments as and when they would have been payable if Executive's employment with the Company had continued.

11. Miscellaneous.

(a) Entire Agreement. This Agreement (including the exhibits, schedules and other documents referred to herein) contains the entire understanding between the parties hereto with respect to the subject matter hereof and supersedes any prior understandings, agreements or representations, written or oral, relating to the subject matter hereof.

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

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

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

(e) Assignability. Neither this Agreement nor any right, remedy, obligation or liability arising hereunder or by reason hereof shall be assignable (including by operation of law) by either party without the prior written consent of the other party to this Agreement, except that the Company may, without the consent of the Executive, assign its rights and obligations under this Agreement to any corporation, firm or other business entity with or into which the Company may merge or consolidate, or to which the Company may sell or transfer all or substantially all of its assets, or of which 50% or more of the equity investment and of the voting control is owned, directly or indirectly, by, or is under common ownership with, the Company. After any such assignment by the Company, and provided that such assignment arises by operation of law or involves an express written assumption by the assignee, the Company shall be immediately released and discharged from all further liability hereunder and such assignee shall thereafter be deemed to be the Company for the purposes of all provisions of this Agreement.

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

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

Address for the Executive:

Address for the Company:

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

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

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

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

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

(k) Arbitration. Except as otherwise specifically provided for hereunder, any claim or controversy arising out of or relating to this Agreement or the breach hereof shall be settled by arbitration in accordance with the laws of the State of New Jersey. Such arbitration shall be conducted in the State and City of New Jersey in accordance with the rules then existing of the American Arbitration Association which pertain to employment disputes. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. In the event of any dispute arising under this Agreement, the respective parties shall be responsible for the payment of their own legal fees and disbursements.

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

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

IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Employment Agreement as of the date first written above.

ENZON PHARMACEUTICALS, INC.

By: /s/ Goran A. Ando
Name: Goran A. Ando
Title: Director and Chairman, Compensation Committee

EXECUTIVE:
/s/ Jeffrey H. Buchalter
Jeffrey H. Buchalter

**EXHIBIT A**

**NON-QUALIFIED STOCK OPTION AGREEMENT**

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**EXHIBIT B**

**RESTRICTED STOCK AWARD AGREEMENT**

Exhibit 10.2

April 1, 2007

**ENZON PHARMACEUTICALS, INC.**
**2007 Outside Director Compensation Plan**

**Annual Retainers:**

On an annual basis, outside directors will receive:

- a cash retainer of $25,000;
- an additional cash retainer of $18,000 for service as chair of the Audit and Finance Committee;
- an additional cash retainer of $8,000 for service as chair of the Compensation Committee;
- an additional cash retainer of $5,000 for service as chair of any other committee of the board;
- an additional cash retainer of $8,000 for service as a member of the Audit and Finance Committee; and
- an additional cash retainer of $4,000 for service as a member of any other committee of the board.

The cash elements above are to be paid quarterly at the end of each quarter, beginning with the second quarter of calendar 2007.

**Meeting Fees:**

For each meeting attended, outside directors will receive:

- a meeting attendance fee of $1,500 cash for each meeting of the full board attended in-person;
- a meeting attendance fee of $1,000 cash for each meeting of the full board attended by telephone;
- a meeting attendance fee of $1,000 cash for each meeting of a committee attended, either in-person or by telephone.

**Annual Equity Grants:**

On an annual basis, outside directors will receive:

- a grant of stock options on the first trading day of the calendar year with a value of $75,000 (the "Annual Option Grant"). The number of options in the Annual Option Grant will be based on a Black-Scholes value and will be at an exercise price equal to the closing price of our Common Stock on the Nasdaq Global Market on the date of grant. The Annual Option Grant vests in one tranche on the first anniversary of the date of grant if the recipient director remains on our board on that date. Once vested, options granted pursuant to the Annual Option Grant expire on the 10th anniversary of the date of grant; and

- a grant of restricted stock units on the first trading day after June 30 of each calendar year with a value of $75,000 (the "Annual Restricted Stock Grant"). The number of shares issued in the Annual Restricted Stock Grant will be equal to $75,000 divided by the closing price of our Common Stock on the Nasdaq Global Market on the date of grant. The shares covered by the Annual Restricted Stock Grant vest in three equal tranches on each of the first three anniversaries of the date of grant if the recipient director remains on our board on each such date.

These grants are made under the 2001 Incentive Stock Plan.

**Welcome Grant:**

- Upon being initially elected to the board, a new elected director will receive a "welcome grant" of stock options with a Black-Scholes value of $75,000 (the exercise price of which will be equal to the closing price of our Common Stock on the Nasdaq Global Market on the date of grant) and a grant of restricted stock units with a value of $75,000 (the number of shares covered by such grant being equal to $75,000 divided by the closing price of our Common Stock on the Nasdaq Global Market on the date of grant). The options and restricted stock units included in the Welcome Grant vest in three equal tranches on each of the first three anniversaries of the date of grant, if the recipient director remains on the Board on each such date.

**Non-Executive Chairperson:**

- If the Chairperson of the Board is a non-executive of the Company, such Non-Executive Chairperson of the Board receives double the Annual Equity Grants, as well as double the amounts in the "Welcome Grant".

**Exhibit 31.1**

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

I, Jeffrey H. Buchalter, President and Chief Executive Officer of Enzon Pharmaceuticals, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 of Enzon Pharmaceuticals, Inc. (Enzon);

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

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

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

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

   (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.

May 4, 2007

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, Executive Vice President, Finance and Chief Financial Officer of Enzon Pharmaceuticals, Inc., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the quarter ended March 31, 2007 of Enzon Pharmaceuticals, Inc. (Enzon);
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   - (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   - (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.

May 4, 2007

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 March 31, 2007 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.

May 4, 2007

By: /s/ Jeffrey H. Buchalter
Jeffrey H. Buchalter
President and Chief Executive Officer (Principal Executive Officer)

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

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

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO**
**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 March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Craig A. Tooman, Executive Vice President, Finance, and Chief Financial Officer of the Company, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

May 4, 2007

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

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

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