

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended March 31, 1997

Commission File No. 0-12957

ENZON, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

22-2372868
(IRS Employer
Identification No.)

20 Kingsbridge Road, Piscataway, New Jersey
(Address of principal executive offices)

08854
(Zip Code)

(908) 980-4500

(Registrant's telephone number, including area code:)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

The number of shares of common stock, \$.01 par value, outstanding as of May 7, 1997 was 30,796,174 shares.

PART I FINANCIAL INFORMATION
Item 1. Financial Statements

ENZON, INC AND SUBSIDIARIES
CONSOLIDATED CONDENSED BALANCE SHEETS
March 31, 1997 and June 30, 1996

ASSETS	March 31, 1997	June 30, 1996
	----- (unaudited)	----- *
Current assets:		
Cash and cash equivalents	\$9,596,973	\$12,666,050
Accounts receivable	2,326,397	2,123,691
Inventories	891,275	985,378
Other current assets	123,048	434,318
Total current assets	----- 12,937,693	----- 16,209,437
Property and equipment	15,671,729	15,640,823
Less accumulated depreciation and amortization	12,643,514	11,617,690
	----- 3,028,215	----- 4,023,133
Other assets:		
Investments	78,293	78,293
Other assets, net	63,805	55,945
Patents, net	1,481,188	1,597,048
	----- 1,623,286	----- 1,731,286
Total assets	----- \$17,589,194	----- \$21,963,856

LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$1,910,902	\$2,078,924
Accrued expenses	3,714,457	4,387,052
Total current liabilities	5,625,359	6,465,976
Accrued rent	901,672	980,908
Royalty advance - RPR	1,404,505	1,600,786
Other liabilities	-	1,728
	2,306,177	2,583,422
Commitments and contingencies		
Stockholders' equity:		
Preferred stock-\$0.01 par value, authorized 3,000,000 shares: issued and outstanding 109,000 shares at March 31, 1997 and 169,000 shares at June 30, 1996 (liquidating preference aggregating \$2,725,000 at March 31, 1997 and \$8,725,000 at June 30, 1996)	1,090	1,690
Common stock-\$0.01 par value, authorized 40,000,000 shares; issued and outstanding 30,789,930 shares at March 31, 1997 and 27,706,396 shares at June 30, 1996	307,899	277,064
Additional paid-in capital	121,406,237	121,272,024
Accumulated deficit	(112,057,568)	(108,636,320)
Total stockholders' equity	9,657,658	12,914,458
Total liabilities and stockholders' equity	\$17,589,194	\$21,963,856

*Condensed from audited financial statements.

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

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ENZON, INC.
CONSOLIDATED CONDENSED STATEMENTS OF OPERATIONS
Three Months and Nine Months Ended March 31, 1997 and 1996
(Unaudited)

	Three months ended		Nine months ended	
	March 31, 1997	March 31, 1996	March 31, 1997	March 31, 1996
Revenues				
Sales	\$2,350,113	\$2,729,647	\$8,624,679	\$8,080,671
Contract revenue	31,758	5,710	1,131,067	910,446
Total revenues	2,381,871	2,735,357	9,755,746	8,991,117
Costs and expenses				
Cost of sales	1,070,822	903,985	3,051,136	3,092,562
Research and development expenses	2,073,030	2,469,605	6,482,864	7,551,075
Selling, general and administrative expenses	1,356,249	1,536,058	4,085,861	4,212,378
Total costs and expenses	4,500,101	4,909,648	13,619,861	14,856,015
Operating loss	(2,118,230)	(2,174,291)	(3,864,115)	(5,864,898)
Other income (expense)				
Interest and dividend income	113,641	116,259	433,552	300,338
Interest expense	(2,613)	(1,801)	(14,213)	(12,753)
Other	15,413	65,369	23,528	1,386,691
	126,441	179,827	442,867	1,674,276
Net loss	(\$1,991,789)	(\$1,994,464)	(\$3,421,248)	(\$4,190,622)
Net loss per common share	(\$0.07)	(\$0.08)	(\$0.13)	(\$0.16)
Weighted average number of common shares outstanding during the period				
	29,798,374	26,929,341	28,462,602	26,529,030

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

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ENZON, INC. AND SUBSIDIARIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS

Nine Months Ended March 31, 1997 and 1996
(Unaudited)

Nine Months Ended

	March 31, 1997	March 31, 1996
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Cash flows from operating activities:

Net loss	(\$3,421,248)	(\$4,190,622)
Adjustment for decrease in liability recognized pursuant to Sanofi Winthrop Agreement	-	(1,312,829)
Adjustment for depreciation and amortization	1,282,515	1,565,134
Non-cash expense for issuance of common stock and stock options	137,841	-
Gain on sale of equipment	(15,413)	-
Decrease in accrued rent	(79,236)	(15,379)
Decrease in royalty advance - RPR	(602,455)	(323,038)
Changes in assets and liabilities	(239,630)	(448,401)
	-----	-----
Net cash used in operating activities	(2,937,626)	(4,725,135)

Cash flows from investing activities:

Capital expenditures	(817,050)	(93,732)
Proceeds from sale of equipment	660,726	-
	-----	-----
Net cash used in investing activities	(156,324)	(93,732)

Cash flows from financing activities:

Proceeds from issuance of common and preferred stock	26,607	9,478,591
Principal payments of obligation under capital leases	(1,734)	(1,539)
	-----	-----
Net cash provided by financing activities	24,873	9,477,052
	-----	-----
Net (decrease) increase in cash and cash equivalents	(3,069,077)	4,658,185
Cash and cash equivalents at beginning of period	12,666,050	8,102,989
	-----	-----
Cash and cash equivalents at end of period	\$9,596,973	\$12,761,174

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

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ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements
(Unaudited)

(1) Organization and Basis of Presentation

The unaudited consolidated condensed financial statements have been prepared from the books and records of Enzon, Inc. and subsidiaries in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal and recurring adjustments) considered necessary for a fair presentation have been included. Certain prior year balances were reclassified to conform to the 1997 presentation. Interim results are not necessarily indicative of the results that may be expected for the year.

(2) Net Loss Per Common Share

Net loss per common share is based on the net loss for the relevant period, adjusted for cumulative undeclared preferred stock dividends of \$164,000 for each of the nine months ended March 31, 1997 and 1996, and \$55,000 for each of the three months ended March 31, 1997 and 1996, divided by the weighted average number of shares issued and outstanding during the period. Stock options, warrants and common stock issuable upon conversion of the preferred stock are not reflected as their effect would be antidilutive for both primary and fully diluted earnings per share computations.

(3) Inventories

The composition of inventories at March 31, 1997 and June 30, 1996 is as follows:

March 31,

June 30,

	1997	1996
Raw materials	\$336,000	\$206,000
Work in process	198,000	383,000
Finished goods	357,000	396,000
	-----	-----
	\$891,000	\$985,000
	=====	=====

(4) Cash Flow Information

The Company considers all highly liquid securities with original maturities of three months or less to be cash equivalents. Cash payments for interest were approximately \$14,000 and \$13,000 for the nine months ended March 31, 1997 and 1996, respectively. There were no income tax payments made for the nine months ended March 31, 1997 and 1996.

During the nine months ended March 31, 1997, 40,000 shares of Series B Convertible Preferred Stock ("Series B Preferred Stock") were converted into 2,038,989 shares of Common Stock. A cash payment of \$3.00 was made for fractional shares related to the conversions. During the quarter ended March 31, 1997, the Company's Series C Convertible Preferred Stock ("Series C Preferred Stock") was exchanged for 20,000 shares of newly issued Series D Convertible Preferred Stock ("Series D Preferred Stock"). The 20,000 shares of Series D Preferred Stock were converted into 1,015,228 shares of Common Stock during the quarter ended March 31, 1997. A cash payment of \$1.00 was made for fractional shares related to the conversion of the Series D Preferred Stock. During the nine months ended March 31, 1996, the Company issued 150,000 five-year warrants to purchase the Company's common stock at \$2.50 per share as part of the commission due to the real estate broker in connection with the termination of the lease at 40 Kingsbridge Road. These transactions are non-cash financing activities.

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ENZON, INC. AND SUBSIDIARIES Notes To Consolidated Condensed Financial Statements, Continued (Unaudited)

(5) Significant Agreements

During October 1996, the Company entered into a marketing agreement with Medac GmbH ("MEDAC") to sell ONCASPAR(R) in Europe and Russia. MEDAC will purchase ONCASPAR from Enzon at a set price which will increase over the term of the agreement. The agreement also contains certain minimum annual purchase requirements.

(6) Non-Qualified Stock Option Plan

During the nine months ended March 31, 1997, the Company issued 1,167,625 stock options at an average exercise price of \$2.80 per share under the Company's Non-Qualified Stock Option Plan, as amended (the "Plan"), of which 290,000 were granted to executive officers of the Company. The stock options issued include 310,000 options which were granted to independent directors of the Company, under the Plan's automatic grant provisions to independent directors. None of the options granted during the period are exercisable as of March 31, 1997. All options were granted with exercise prices that equaled or exceeded the fair market value of the underlying stock on the date of grant.

(7) Stockholders' Equity

During the nine months ended March 31, 1997, all of the outstanding shares of Series B Preferred Stock were converted into Common Stock. The 40,000 shares of Series B Preferred Stock which were converted resulted in the issuance of 2,038,989 shares of Common Stock.

During the quarter ended March 31, 1997, all of the outstanding Series C Preferred Stock was exchanged for newly issued Series D Preferred Stock. The Series D Preferred Stock contains the same provisions as the Series C Preferred Stock, with the exception of the elimination of a restriction on the maximum number of shares held by the holding institution. During March 1997, all of the outstanding Series D Preferred Stock was converted into Common Stock. The 20,000

shares of Series D Preferred Stock which were converted resulted in the issuance of 1,015,228 shares of Common Stock. The sole institutional owner of the Common Stock issued in conjunction with the conversion of the Series D Preferred Stock has agreed not to sell the 1,015,228 common shares issued for a period of one year without the Company's consent.

During the nine months ended March 31, 1997, the Company issued 18,098 shares of Enzon common stock to non-executive directors, pursuant to the Company's Independent Directors' Stock Plan. The shares issued represent payment for services rendered for the period from January 16, 1996 through December 31, 1996.

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ENZON, INC. AND SUBSIDIARIES
Notes To Consolidated Condensed Financial Statements, Continued
(Unaudited)

(8) Operating Lease

During March 1997, the Company entered into a sale-leaseback agreement to fund up to \$800,000 in research and development equipment and related leasehold improvements. As of March 31, 1997, the Company had utilized approximately \$644,000 of the funding available under the agreement. The \$644,000 of equipment financed during the quarter ended March 31, 1997, was sold at a price which exceeded book value and the corresponding lease is being accounted for as an operating lease. The lease expires during September, 2000. The remaining \$156,000 under the agreement can be used to finance future purchases of research and development equipment through December 31, 1997. As of March 31, 1997, the future minimum lease payments under the agreement are as follows:

Year ending June 30, -----	\$	
1997		36,000
1998		217,000
1999		217,000
2001		36,000
		723,000

(9) Other Income

During the quarter ended December 31, 1995, the Company recognized as other income approximately \$1,313,000, representing the unused portion of an advance received under a development and license agreement with Sanofi Winthrop, Inc. ("Sanofi"). During October 1995, the Company learned that Sanofi intended to cease development of PEG-SOD (Dismutec(TM)) due to the product's failure to show a statistically significant difference between the treatment group and the control group in a pivotal Phase III trial. Due, in part, to this product failure, the Company believes it has no further obligations under its agreement with Sanofi with respect to the \$1,313,000 advance and therefore, the Company reversed the amount due Sanofi previously recorded as a current liability.

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

Information contained herein contains "forward-looking statements" which can be identified by the use of forward-looking terminology such as "believes," "expects," "may", "will", "should", or "anticipates" or the negative thereof or other variations thereon or comparable terminology, or by discussions of strategy. No assurance can be given that the future results covered by the forward-looking statements will be achieved. The matters set forth in Exhibit 99.0 to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996, which is incorporated herein by reference, constitute cautionary statements identifying important factors with respect to such forward-looking statements, including certain risks and uncertainties, that could cause actual results to vary materially from the future results indicated in such

forward-looking statements. Other factors could also cause actual results to vary materially from the future results indicated in such forward-looking statements.

Results of Operations

Three months ended March 31, 1997 vs. Three months ended March 31, 1996

Revenues. Revenues for the three months ended March 31, 1997 decreased by 13% to \$2,382,000 as compared to \$2,735,000 for the same period in 1996. The components of revenues are sales and contract revenues. Sales decreased by 14% to \$2,350,000 for the three months ended March 31, 1997 as compared to \$2,730,000 for the same period in the prior year, due to a decrease in ADAGEN(R) sales and a decrease in revenues from ONCASPAR. The decrease in ADAGEN sales to \$2,069,000, compared to \$2,217,000 for the same period in 1996, was due primarily to the timing of reimbursement approvals. The Company recognizes revenues for the sale of ADAGEN when reimbursement from third-party payors is determined to be likely. The Company anticipates that reimbursement delays experienced during the quarter ended March 31, 1997 will be substantially corrected during subsequent quarters. Sales of ADAGEN for the nine months ended March 31, 1997 have remained at levels slightly above the previous year. ONCASPAR, the Company's second approved product, is marketed in the U.S. by Rhone-Poulenc Rorer Pharmaceuticals, Inc. ("RPR") and in Europe and Russia by MEDAC GmbH ("MEDAC"). ONCASPAR revenues are comprised of manufacturing revenues received from RPR and MEDAC, as well as royalties on sales of ONCASPAR by RPR. The decrease in ONCASPAR revenues was due to the timing of shipments to RPR. During the quarter ended December 31, 1996, shipments made to RPR were approximately twice those made during the same period in the previous year, resulting in reduced RPR requirements for ONCASPAR during the quarter ended March 31, 1997. Reductions in RPR shipments were partially offset by the commencement of shipments of ONCASPAR to MEDAC for the European market. Contract revenue for the three months ended March 31, 1997 increased to \$32,000, as compared to \$6,000 for the same period in 1996. During the three months ended March 31, 1997 and 1996, the Company had export sales of \$661,000 and \$419,000, respectively. Sales in Europe were \$556,000 and \$356,000 for the three months ended March 31, 1997 and 1996, respectively. The increase in export as well as European sales was due to the commencement of shipments of ONCASPAR for the European market.

Cost of Sales. Cost of sales, as a percentage of sales, increased to 46% for the three months ended March 31, 1997 as compared to 33% for the same period in 1996. The increase was due primarily to the write-off of approximately \$402,000 in excess ONCASPAR raw material. The Company has a minimum purchase requirement under a long-term supply agreement for this material. While it is possible that the Company may incur similar losses on its remaining purchase commitments under the supply agreement, the Company does not consider such losses probable, nor can the amount of any loss which may be incurred in the future presently be estimated due to a number of factors, including, but not limited to, potential increased demand for ONCASPAR from RPR, expansion into additional markets outside the U.S. and the possibility that the Company could renegotiate the level of required purchases. If the Company does not achieve increases in sales of ONCASPAR beyond current levels or cannot renegotiate its commitment, a loss would be incurred on the remaining purchase commitment. During the quarter ended March 31, 1997, the Company utilized approximately 19% of its manufacturing capacity for the production of its approved products.

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Research and Development. Research and development expenses for the three months ended March 31, 1997 decreased by 16% to \$2,073,000 from \$2,470,000 for the same period in 1996. This decrease was primarily due to reductions in personnel and related costs, such as payroll taxes and benefits, totaling approximately \$368,000, due to cost containment measures implemented by the Company as part of a continued focus on key development programs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the three months ended March 31, 1997 decreased by 12% to \$1,356,000, as compared to \$1,536,000 for the same period in 1996. This decrease was primarily due to reductions in personnel and related costs, such as payroll taxes and benefits, totaling approximately \$252,000.

Other Income/Expense. Other income/expense decreased by \$54,000 to \$126,000 for the three months ended March 31, 1997 as compared to \$180,000 for the same period last year. The decrease was due principally to the one-time recognition

as other income of approximately \$65,000 during the quarter ended March 31, 1996, representing an insurance settlement.

Nine months ended March 31, 1997 vs. Nine months ended March 31, 1996

Revenues. Revenues for the nine months ended March 31, 1997 increased by 9% to \$9,756,000 as compared to \$8,991,000 for the same period in 1996. The components of revenues are sales and contract revenues. Sales increased by 7% to \$8,625,000 for the nine months ended March 31, 1997 as compared to \$8,081,000 for the same period in the prior year, primarily due to increased ONCASPAR revenues. ONCASPAR revenues are comprised of manufacturing revenues received from the Company's marketing partners, RPR and MEDAC, as well as royalties on sales of ONCASPAR by RPR. ONCASPAR revenues increased due to the commencement of shipments of ONCASPAR to MEDAC for the European market, as well as an increase in royalties from RPR. ADAGEN sales for the nine months ended March 31, 1997 and 1996 were \$6,523,000 and \$6,431,000, respectively. Contract revenue for the nine months ended March 31, 1997 increased by 24% to \$1,131,000, as compared to \$910,000 for the same period in 1996. Contract revenues for the nine months ended March 31, 1997 were principally comprised of a one-time \$1,000,000 payment received from Schering Corporation ("Schering") related to the transfer of know-how for the manufacturing of PEG-Intron A under the Company's June 1995 amended Schering agreement. Contract revenues for the prior year's period reflected a one-time payment received in connection with a worldwide non-exclusive license for the Company's SCA protein technology signed with RPR. During the nine months ended March 31, 1997 and 1996, the Company had export sales of \$1,832,000 and \$1,550,000, respectively. Sales in Europe were \$1,547,000 and \$1,339,000 for the nine months ended March 31, 1997 and 1996, respectively. The increase in export and European sales was due to the commencement of shipments of ONCASPAR for the European market.

Cost of Sales. Cost of sales, as a percentage of sales, remained relatively consistent at 35% for the nine months ended March 31, 1997, as compared to 38% for the same period in 1996.

Research and Development. Research and development expenses for the nine months ended March 31, 1997 decreased by 14% to \$6,483,000 from \$7,551,000 for the same period in 1996. This decrease was primarily due to reductions in personnel, principally in the clinical and scientific administration areas, and related costs, such as payroll taxes, totaling approximately \$911,000 and other cost containment measures implemented by the Company as part of a continued focus on key development programs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses for the nine months ended March 31, 1997 remained relatively consistent at \$4,086,000, as compared to \$4,212,000 for the same period in 1996.

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Other Income/Expense. Other income/expense decreased by \$1,231,000 to \$443,000 for the nine months ended March 31, 1997 as compared to \$1,674,000 for the same period last year. The decrease was due principally to the one-time recognition as other income of approximately \$1,313,000 during the quarter ended December 31, 1995, representing the unused portion of an advance received under a development and license agreement with Sanofi.

In February 1997, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards No. 128 (SFAS 128), "Earnings Per Share". SFAS 128 establishes standards for computing and presenting earnings per share. In accordance with the effective date of SFAS 128, the Company will adopt SFAS 128 as of December 31, 1997. This statement is not expected to have a material impact on the Company's consolidated financial statements.

Liquidity and Capital Resources

Enzon had \$9,597,000 in cash and cash equivalents as of March 31, 1997. The Company invests its excess cash in a portfolio of high-grade marketable securities and United States government-backed securities.

The Company's cash reserves as of March 31, 1997 decreased by \$3,069,000 from June 30, 1996. The decrease in cash reserves was caused by the funding of operations as well as capital expenditures of \$817,000, related to the upgrade of the Company's pilot manufacturing facility for PEG-hemoglobin, which were partially offset by the sale-leaseback of certain research and

development equipment purchased during the period.

The Company's exclusive U.S. marketing rights license with RPR for ONCASPAR provides for a payment of \$3,500,000 in advance royalties which was received in January 1995. Under the agreement, as amended, royalties will be offset against a credit of \$5,970,000, which represents the royalty advance plus reimbursement of certain amounts due RPR under the previous agreement and interest expense, before cash payments will be made under the agreement. The royalty advance is shown as a long term liability with the corresponding current portion included in accrued expenses on the consolidated condensed balance sheets and will be reduced as royalties are recognized under the agreement. Through March 31, 1997, an aggregate of \$2,073,000 in royalties payable by RPR have been offset against the original credit.

As of March 31, 1997, 940,808 shares of Series A Cumulative Convertible Preferred Stock ("Series A Preferred Stock") have been converted into 3,093,411 shares of the Company's common stock (the "Common Stock"). Accrued dividends on the converted Series A Preferred Stock in the aggregate of \$1,792,000 were settled by the issuance of 232,383 shares of Common Stock. The Company does not presently intend to pay cash dividends on the Series A Preferred Stock. As of March 31, 1997, there were \$1,531,000 of accrued and unpaid dividends on the Series A Preferred Stock. These dividends are payable in cash or Common Stock at the Company's option and accrue on the outstanding Series A Preferred Stock at the rate of \$218,000 per year. During the nine months ended March 31, 1997, 40,000 shares of the Company's Series B Preferred Stock were converted into 2,038,989 shares of Common Stock. During the nine months ended March 31, 1997, 20,000 shares of the Company's Series C Preferred Stock were converted into 20,000 shares of Series D Preferred Stock which were subsequently converted into 1,015,228 shares of Common Stock.

To date, the Company's sources of cash have been the proceeds from the sale of its stock through public and private placements, sales of ADAGEN, sales of ONCASPAR, sales of its products for research purposes, contract research and development fees, technology transfer and license fees and royalty advances. The Company's current sources of liquidity are its cash, cash equivalents and interest earned on such cash reserves, sales of ADAGEN, sales of ONCASPAR, sales of its products for research purposes and license fees. Management believes that its current sources of liquidity will be sufficient to meet its anticipated cash requirements, based on current spending levels, for approximately the next two years.

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Upon exhaustion of the Company's current cash reserves, the Company's continued operations will depend on its ability to realize significant revenues from the commercial sale of its products, raise additional funds through equity or debt financing, or obtain significant licensing, technology transfer or contract research and development fees. There can be no assurance that these sales, financings or revenue generating activities will be successful.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable.

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PART II OTHER INFORMATION

Item 2. Changes in Securities

During the period from November 19, 1996 through March 31, 1997, the purchaser of 40,000 shares of the Company's Series B Convertible Preferred Stock converted an aggregate of 40,000 shares of such Series B Convertible Preferred Stock into an aggregate of 2,038,989 shares of Common Stock at per share conversion prices ranging from \$1.83 to \$2.44.

On February 28, 1997, the purchaser of 20,000 shares of the Company's Series C Convertible Preferred Stock exchanged such shares for 20,000 shares of newly issued Series D Convertible Preferred Stock. The shares of Series C Convertible Preferred Stock were retired. The Series D Convertible Preferred Stock contains the same provisions as the Series C Convertible Preferred Stock, except that the restriction on the maximum number of shares that can be held by the converting institution was eliminated. On February 28, 1997, all of the Series D Convertible Preferred Stock issued was converted into 1,015,228 shares

of Common Stock at a per share conversion price of \$1.97 per share. The conversion prices for the Series B Convertible Preferred Stock and the Series D Convertible Preferred Stock were equal to 80% of the average of the closing bid prices of the Common Stock for the five consecutive trading days ending one trading day prior to the date of such conversion. The Company relied upon the exemption from registration under the Securities Act of 1933, as amended, contained in (i) Section 4(2) thereof with respect to the issuance of the Series D Convertible Preferred Stock in exchange for the Series C Convertible Preferred Stock and (ii) Section 3(a)(9) thereof with respect to the issuance of such shares of Common Stock upon conversion of the Series B Convertible Preferred Stock and the Series D Convertible Preferred Stock.

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Item 6. Exhibits and Reports on Form 8-K

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

Exhibit Number	Description	Page Number or Incorporation By Reference
3(i)	Certificate of Incorporation, as amended	^
3(ii)	By-laws, as amended	*(4.2)
3(iii)	Certificate of Designations, Preferences and Rights of Series D Convertible Preferred Stock	o
10.0	Employment Agreement dated March 25, 1994 with Peter G. Tombros	#(10.17)
10.1	Form of Change of Control Agreements dated as of January 20, 1995 entered into with the Company's Executive Officers	~(10.2)
10.2	Lease - 300-C Corporate Court, South Plainfield, New Jersey	*** (10.3)
10.3	Modification of Lease - 300-C Corporate Court, South Plainfield New Jersey	++(10.3)
10.4	Lease Termination Agreement dated March 31, 1995 for 20 Kingsbridge Road and 40 Kingsbridge Road, Piscataway, New Jersey	~(10.6)
10.5	Option Agreement dated April 1, 1995 regarding 20 Kingsbridge Road, Piscataway, New Jersey	~(10.7)
10.6	Form of Lease - 40 Cragwood Road, South Plainfield, New Jersey	**** (10.9)
10.7	Lease 300A-B Corporate Court, South Plainfield, New Jersey	+++ (10.10)
10.8	Stock Purchase Agreement dated March 5, 1987 between the Company and Eastman Kodak Company	**** (10.7)
10.9	Amendment dated June 19, 1989 to Stock Purchase Agreement between the Company and Eastman Kodak Company	** (10.10)
10.10	Form of Stock Purchase Agreement between the Company and the purchasers of the Series A Cumulative Convertible Preferred Stock	+(10.11)
10.11	Amendment to License Agreement and Revised License Agreement between the Company and RCT dated April 25, 1985	++++ (10.5)
10.12	Amendment dated as of May 3, 1989 to Revised License Agreement dated April 25, 1985 between the Company and Research Corporation	** (10.14)
10.13	License Agreement dated September 7, 1989 between the Company and Research Corporation Technologies, Inc.	** (10.15)
10.14	Master Lease Agreement and Purchase Leaseback Agreement dated October 28, 1994 between the Company and Comdisco, Inc.	## (10.16)
10.15	Amendment dated as of May 15, 1995 to Employment Agreement with Peter G. Tombros	~~ (10.17)
10.16	Stock Purchase Agreement dated as of June 30, 1995	~~~ (10.16)
10.17	Securities Purchase Agreement dated as of January 31, 1996	~~~ (10.17)
10.18	Registration Rights Agreements dated as of January 31, 1996	~~~ (10.18)
10.19	Warrants dated as of February 7, 1996 and issued pursuant to the Securities Purchase Agreement dated as of January 31, 1996	~~~ (10.19)
10.20	Securities Purchase Agreement dated as of March 15, 1996	^ (10.20)

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10.21	Registration Rights Agreement dated as of March 15, 1996	^ (10.21)
10.22	Warrant dated as of March 15, 1996 and issued pursuant to the Securities Purchase Agreement dated as of March 15, 1996	^ (10.22)
10.23	Amendment dated March 25, 1994 to License Agreement dated September 7, 1989 between the Company and Research Corporation Technologies, Inc.	^^^ (10.23)
10.24	Independent Directors' Stock Plan	^^^ (10.24)
10.25	Stock Exchange Agreement dated February 28, 1997, by and between the Company and GFL Performance Fund Ltd.	o
10.26	Agreement Regarding Registration Rights Under Registration Rights	

- o Filed herewith.
- * Previously filed as an exhibit to the Company's Registration Statement on Form S-2 (File No. 33- 34874) and incorporated herein by reference thereto.
- ** Previously filed as exhibits to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1989 and incorporated herein by reference thereto.
- *** Previously filed as an exhibit to the Company's Registration Statement on Form S-18 (File No. 2-88240-NY) and incorporated herein by reference thereto.
- **** Previously filed as exhibits to the Company's Registration Statement on Form S-1 (File No. 2- 96279) filed with the Commission and incorporated herein by reference thereto.
- + Previously filed as an exhibit to the Company's Registration Statement on Form S-1 (File No. 33- 39391) filed with the Commission and incorporated herein by reference thereto.
- ++ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1992 and incorporated herein by reference thereto.
- +++ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1993 and incorporated herein by reference thereto.
- ++++ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1985 and incorporated herein by reference thereto.
- # Previously filed as an exhibit to the Company's Current Report on Form 8-K dated April 5, 1994 and incorporated herein by reference thereto.
- ## Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1994 and incorporated herein by reference thereto.
- ~ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1995 and incorporated herein by reference thereto.
- ~~ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1995 and incorporated herein by reference thereto.

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- ~~~ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1995 and incorporated herein by reference thereto.
- ^ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1996 and incorporated herein by reference thereto.
- ^^ Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 1996 and incorporated herein by reference thereto.
- ^^^ Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 1996 and incorporated herein by reference thereto.

(b) Reports on Form 8-K

On January 16, 1997, the Company filed with the Commission a Current Report

on Form 8-K dated January 2, 1997 relating to (i) the appointment of Rolf A. Classon to the Company's Board of Directors and (ii) a complaint filed by LBC Capital Resources, Inc. ("LBC") on December 17, 1996.

On January 27, 1997, the Company filed with the Commission a Current Report on Form 8-K dated January 22, 1997 relating to (i) the appointment of Dr. Jeffrey McGuire to the newly created position of vice president, research and development and chief scientific officer and (ii) Dr. Robert Shorr assuming the position of vice president, science and technology, reporting to Dr. McGuire.

On February 28, 1997, the Company filed with the Commission a Current Report on Form 8-K dated February 20, 1997 relating to the conversion of all of the outstanding shares of Series B Convertible Preferred Stock issued in January 1996. The conversions, which took place between November 12, 1996 and February 19, 1997 resulted in the issuance of 2,038,989 shares of Common Stock.

On March 10, 1997, the Company filed with the Commission a Current Report on Form 8-K dated March 3, 1997 relating to the exchange of 20,000 shares of Series C Convertible Preferred Stock into 20,000 shares of newly issued Series D Convertible Preferred Stock. The 20,000 shares of Series D Convertible Preferred Stock were subsequently converted into 1,015,228 shares of Common Stock.

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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, INC.
(Registrant)

Date: May 13, 1997

By: /S/PETER G. TOMBROS

Peter G. Tombros
President and Chief Executive
Officer

By: /S/KENNETH J. ZUERBLIS
Kenneth J. Zuerblis
Vice President, Finance and
Chief Financial Officer

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CERTIFICATE OF DESIGNATIONS, PREFERENCES

AND RIGHTS OF SERIES D CONVERTIBLE

PREFERRED STOCK

OF

ENZON, INC.

ENZON, Inc. (the "Company"), a corporation organized and existing under the General Corporation Law of the State of Delaware, does hereby certify that, pursuant to authority conferred upon the Board of Directors of the Company by the Certificate of Incorporation, as amended, of the Company, and pursuant to Section 151 of the General Corporation Law of the State of Delaware, the Board of Directors of the Company at a meeting duly held on February 27, 1997, adopted resolutions providing for the designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of twenty thousand (20,000) shares of Series D Convertible Preferred Stock (the "Series D Preferred Shares") of the Company, as follows:

RESOLVED, that the Company is authorized to issue 20,000 shares of Series D Convertible Preferred Stock (the "Series D Preferred Shares") which shall have the following powers, designations, preferences and other special rights:

(1) Dividends. The holders of the Series D Preferred Shares shall not be entitled to dividends.

(2) Conversion of Series D Preferred Shares. The holders of the Series D Preferred Shares shall have the right, at their option, to convert the

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Series D Preferred Shares into shares of Common Stock on the following terms and conditions:

(a) Each Series D Preferred Share shall be convertible at any time after the date of issuance (or, if such Series D Preferred Share is called for redemption, at any time up to and including, but not after, the close of business on the fifth full business day prior to the date fixed for such redemption, unless default shall be made by the Company in providing the funds for the payment of the redemption price), into fully paid and nonassessable shares (calculated to the nearest whole share) of Common Stock of the Company as constituted at the time of such conversion, at the conversion price (the "Conversion Price") in effect at the time of conversion determined as hereinafter provided. Each Series D Preferred Share shall have a value of \$100 (the "Stated Value") for the purpose of such conversion and the number of shares of Common Stock issuable upon conversion of each of the Series D Preferred Shares shall be determined by dividing the Stated Value thereof by the Conversion Price then in effect. Every reference herein to the Common Stock of the Company (unless a different intention is expressed) shall be to the shares of the Common Stock of the Company, \$.01 par value, as such stock exists immediately after the issuance of the Series D Preferred Shares provided for hereunder, or to stock into which such Common Stock may be changed from time to time thereafter.

(b) The Conversion Price shall be eighty percent (80%) (the "Conversion Percentage") of \$2.4625, subject to adjustment as provided herein. If the registration statement (the "Registration Statement") covering the shares of Common Stock issuable upon conversion of the Series D Preferred Shares (the "Registration Rights Agreement") has not been declared effective by the U.S. Securities and Exchange Commission ("SEC") within two hundred ten (210) days after the date of issuance of the Series D Preferred Shares, or if, after the Registration Statement has been declared effective by the SEC, sales

cannot be made pursuant to the Registration Statement by reason of stop order, the Company's failure to update the Registration Statement in accordance with the rules and regulations of the SEC or otherwise, or if the Common Stock is not listed or included for quotation on the National Association of Securities Dealers Automated Quotation ("NASDAQ") National Market System (the "NASDAQ-NMS"), the New York Stock Exchange (the "NYSE"), the American Stock Exchange (the "AMEX"), or the NASDAQ SmallCap Market (the "NASDAQ SmallCap") then, as partial relief for the damages to the holder by reason of any such delay in or reduction of its ability to sell the shares of Common Stock (which remedy shall not be exclusive of any other remedies available at law or in equity, except that such remedy shall be the exclusive remedy for any delay in the effectiveness of the Registration Statement provided the Registration Statement

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is declared effective by the SEC within 210 days after the date of issuance of the Series D Preferred Shares), the Conversion Percentage shall be reduced by a number of percentage points equal to three (3) times the sum of: (i) the number of months (prorated for partial months) after the end of such 210 day period and prior to the date the Registration Statement is declared effective by the SEC, provided, however, that there shall be excluded from such period (and from any period under clause (ii) immediately below) delays which are attributable to changes in the Registration Statement required by the holders of Series D Preferred Stock, including, without limitation, changes in the plan of distribution; (ii) the number of months (prorated for partial months) that sales cannot be made pursuant to the Registration Statement (by reason of stop order, the Company's failure to update the Registration or otherwise) after the Registration Statement has been declared effective; and (iii) the number of months (prorated for partial months) that the Common Stock is not listed or included for quotation on the NASDAQ-NMS, NYSE, AMEX, or NASDAQ SmallCap after the Registration Statement has been declared effective; provided that the aggregate number of months that are the basis of a reduction in the Conversion Percentage pursuant to the foregoing clauses (i), (ii) and (iii) shall not exceed twelve (12). (For example, if the Registration Statement becomes effective one and one-half (1 1/2) months after the end of such 210 day period, the Conversion Percentage would be 75.5% until any subsequent adjustment; if thereafter sales could not be made pursuant to the Registration Statement for a period of two (2) months, the Conversion Percentage would then be 69.5%.) If the holder converts Series D Preferred Shares into Common Stock and an adjustment to the Conversion Percentage is required subsequent to such conversion, but prior to the sale of such Common Stock by such holder, the Company shall pay to such holder, within five (5) days after receipt of a notice of the sale of such Common Stock from such holder, an amount equal to \$1.97 multiplied by three-hundredths (.03) times the number of months (prorated for partial months) for which an adjustment was required; provided that the aggregate number of months for which such an adjustment is required (when added to the number of months for which an adjustment is made pursuant to clauses (i), (ii) and (iii) above) shall not exceed twelve (12). Such amount may be paid at the Company's option in cash or Common Stock valued based on the Average Market Price (as hereinafter defined) of the Common Stock for the period of five (5) consecutive trading days ending on the date of the sale of such Common Stock; provided, however, that any amounts due as to that period during which the shares are not traded or included for quotation on the NASDAQ-NMS, NYSE, AMEX or NASDAQ SmallCap shall be paid in cash only. (For example, if the Conversion Percentage was 75.5% at the time of conversion of \$1,000,000 in Stated Value of Series D Preferred Shares (such that the Series D Preferred Shares were converted into Common Stock having an Average Market Price for the applicable period in aggregate of \$1,324,503) and subsequent to conversion

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there was a further two (2) month delay in the Registration Statement's being declared effective, and such Common Stock was sold at the end of such two (2) month period, the Company would pay to the holder \$79,470.20 in cash or Common Stock.)

"Average Market Price" of any security for any period shall be computed as the arithmetic average of the closing bid prices for such security for each trading day in such period on the NASDAQ-NMS, or, if the NASDAQ-NMS is not the principal trading market for such security, on the principal trading market for such security, or, if market value cannot be calculated for such period on any of the foregoing bases, the average fair market value during such period as reasonably determined in good faith by the Board of Directors of the Company.

(c) If the Company shall consolidate with or merge into any corporation or reclassify its outstanding shares of Common Stock (other than by way of subdivision or reduction of such shares) (each a "Major Transaction"), then each Series D Preferred Share shall thereafter be convertible into the number of shares of stock or securities (the "Resulting Securities") or property of the Company, or of the entity resulting from such consolidation or merger, to which a holder of the number of shares of Common Stock delivered upon conversion of such Series D Preferred Share would have been entitled upon such Major Transaction had the holder of such Series D Preferred Share exercised its right of conversion and had such Common Stock been issued and outstanding and had such holder been the holder of record of such Common Stock at the time of such Major Transaction, and the Company shall make lawful provision therefor as a part of such consolidation, merger or reclassification; provided, however, that the Company shall give the holders of the Series D Preferred Shares written notice of any Major Transaction promptly upon the execution of any agreement whether or not binding in connection therewith (including without limitation a letter of intent or agreement in principle) and in no event shall a Major Transaction be consummated prior to ninety (90) days after such notice.

(d) The Company shall not issue any fraction of a share of Common Stock upon any conversion, but shall pay in cash therefor at the Conversion Price then in effect multiplied by such fraction.

(e) On presentation and surrender to the Company (or at any office or agency maintained for the transfer of the Series D Preferred Shares) of the certificates of Series D Preferred Shares so to be converted, duly endorsed in blank for transfer or accompanied by proper instruments of assignment or transfer in blank (a "Conversion Notice"), with signatures guaranteed, the holder of such Series D Preferred Shares shall be entitled,

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subject to the limitations herein contained, to receive in exchange therefor a certificate or certificates for fully paid and nonassessable shares, which certificates shall be delivered by the second trading day after the date of delivery of the Conversion Notice, and cash for fractional shares, of Common Stock on the foregoing basis. The Series D Preferred Shares shall be deemed to have been converted, and the person converting the same to have become the holder of record of Common Stock, for all purposes as of the date of delivery of the Conversion Notice.

(f) The Company shall, so long as any of the Series D Preferred Shares are outstanding, reserve and keep available out of its authorized and unissued Common Stock, solely for the purpose of effecting the conversion of the Series D Preferred Shares, such number of shares of Common Stock as shall from time to time be sufficient to effect the conversion of all of the Series D Preferred Shares then outstanding.

(g) The Company shall pay any and all taxes which may be imposed upon it with respect to the issuance and delivery of Common Stock upon the conversion of the Series D Preferred Shares as herein provided. The Company shall not be required in any event to pay any transfer or other taxes by reason of the issuance of such Common Stock in names other than those in which the Series D Preferred Shares surrendered for conversion are registered on the Company's records, and no such conversion or issuance of Common Stock shall be made unless and until the person requesting such issuance has paid to the Company the amount

of any such tax, or has established to the satisfaction of the Company and its transfer agent, if any, that such tax has been paid.

(3) Voting Rights. Holders of Series D Preferred Shares shall have no voting rights, except as required by law and by Section 7 hereof.

(4) Redemption. The Company may, but shall not be obligated to, at any time subsequent to ninety (90) days after the issuance of the Series D Preferred Shares, redeem the whole or any part of the Series D Preferred Shares then outstanding at a redemption price of \$127 per Preferred Share, in accordance with the following redemption procedures:

(a) In case of redemption of only part of the Series D Preferred Shares at any time outstanding, the Company shall designate the amount of Series D Preferred Shares so to be redeemed and shall redeem such Series D Preferred Shares on a pro rata basis. Subject to the limitations and provisions herein contained, the Board of Directors shall have the power and authority to prescribe the terms and conditions upon which the Series D Preferred Shares shall be redeemed from time to time.

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(b) Notice of every redemption shall be given by mail to every holder of record of any Series D Preferred Shares then to be redeemed, at least thirty (30), but no more than ninety (90), days prior to the date fixed as the date for the redemption thereof, at the respective addresses of such holders as the same shall appear on the stock transfer books of the Company. The notice shall state that the Series D Preferred Shares shall be redeemed by the Company at the redemption price specified above, upon the surrender for cancellation, at the time and place designated in such notice, of the certificates representing the Series D Preferred Shares to be redeemed, properly endorsed in blank for transfer, or accompanied by proper instruments of assignment and transfer in blank, with signatures guaranteed, and bearing all necessary transfer tax stamps thereto affixed and cancelled. On and after the date specified in the notice described above, each holder of Series D Preferred Shares called for redemption shall be entitled to receive therefor the specified redemption price upon presentation and surrender at the place designated in such notice of the certificates for Series D Preferred Shares called for redemption, properly endorsed in blank for transfer or accompanied by proper instruments of assignment or transfer in blank, with signatures guaranteed, and bearing all necessary transfer tax stamps thereto affixed and cancelled.

(c) If the Company shall give notice of redemption as aforesaid (and unless the Company shall fail to pay the redemption price of the Series D Preferred Shares presented for redemption in accordance with such notice), all Series D Preferred Shares called for redemption shall be deemed to have been redeemed on the date specified in such notice, whether or not the certificates for such Series D Preferred Shares shall be surrendered for redemption, and such Series D Preferred Shares so called for redemption shall from and after such date cease to represent any interest whatsoever in the Company or its property, and the holders thereof shall have no rights other than the right to receive such redemption price without any interest thereof from and after such date.

(5) Liquidation, Dissolution, Winding Up. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the Series D Preferred Shares shall be entitled to receive in cash out of the assets of the Company, whether from capital or from earnings, available for distribution to its stockholders (the "Preferred Funds"), before any amount shall be paid to the holders of the Common Stock, an amount equal to the Stated Value per Series D Preferred Share, provided that, if the Preferred Funds are insufficient to pay the full amount due to the holders of Series D Preferred Shares and holders of shares of other classes or series of preferred stock of the Company that are of equal rank with the Series D Preferred Shares as to payments of Preferred Funds (the "Pari Passu Shares"), then each holder of Series D Preferred Shares and Pari Passu

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Shares shall receive a percentage of the Preferred Funds equal to the full amount of Preferred Funds payable to such holder as a percentage of the full

amount of Preferred Funds payable to all holders of Series D Preferred Shares and Pari Passu Shares. The purchase or redemption by the Company of stock of any class, in any manner permitted by law, shall not, for the purposes hereof, be regarded as a liquidation, dissolution or winding up of the Company. Neither the consolidation nor merger of the Company with or into any other corporation or corporations, nor the sale or transfer by the Company of less than substantially all of its assets, shall, for the purposes hereof, be deemed to be a liquidation, dissolution or winding up of the Company. No holder of Series D Preferred Shares shall be entitled to receive any amounts with respect thereto upon any liquidation, dissolution or winding up of the Company other than the amounts provided for herein.

(6) Preferred Rank. All shares of Common Stock shall be of junior rank to all Series D Preferred Shares in respect to the preferences as to distributions and payments upon the liquidation, dissolution or winding up of the Company. The rights of the shares of Common Stock shall be subject to the preferences and relative rights of the Series D Preferred Shares. The Series D Preferred Shares shall be of equal rank with the Company's Series A Cumulative Convertible Preferred Stock and the Series B Preferred Shares in respect of distributions and payments upon the liquidation, dissolution or winding up of the Company. Notwithstanding the foregoing, the Company may authorize and issue additional or other preferred stock which is of equal or junior rank with the Series D Preferred Shares in respect of the preferences as to distributions and payments upon the liquidation, dissolution or winding up of the Company; provided, however, that for so long as the Series D Preferred Shares remain outstanding the Company shall not issue any capital stock which is more senior in rank than the Series D Preferred Shares in respect of the foregoing preferences. In the event of the merger or consolidation of the Company with or into another corporation, the Series D Preferred Shares shall maintain their relative powers, designations and preferences provided for herein.

(7) Vote to Change the Terms of Series D Preferred Shares. The affirmative vote at a meeting duly called for such purpose or the written consent without a meeting of the holders of not less than two-thirds (2/3) of the then outstanding Series D Preferred Shares shall be required to amend, alter, change or repeal any of the powers, designations, preferences and rights of the Series D Preferred Shares.

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IN WITNESS WHEREOF, the Company has caused this certificate to be signed by Peter G. Tombros, its President, and John A. Caruso, its Secretary, this 28th day of February 1997.

ENZON, INC.

By: /S/PETER G. TOMBROS

President

Attest: /S/JOHN A. CARUSO

Secretary

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STOCK EXCHANGE AGREEMENT

This STOCK EXCHANGE AGREEMENT is made and entered into as of February 28, 1997 by and among Enzon, Inc., a Delaware corporation (the "Company"), and the GFL Performance Fund Ltd., a corporation organized under the laws of the British Virgin Islands, the holder (the "Series C Stockholder") of the Company's Series C Convertible Preferred Stock, \$0.01 par value per share (the "Series C Preferred Stock").

R E C I T A L S:

WHEREAS, the Company desires to induce the Series C Stockholder, and the Series C Stockholder is willing, to (i) exchange its shares of Series C Preferred Stock for an equal number of shares of the Company's newly designated Series D Convertible Preferred Stock, \$0.01 par value share (the "Series D Convertible Preferred Stock"), (ii) immediately convert its shares of Series D Convertible Preferred Stock into the Company's Common Stock, \$0.01 par value per Share (the "Common Stock"), and (iii) agree not to sell or otherwise transfer the shares of Common Stock issued upon conversion of the Series D Preferred Stock for a period of twelve (12) months from the date of this agreement without the prior written consent of the Company.

NOW THEREFORE, in consideration of the foregoing, the representations, warranties and agreements of the parties contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

1. SHARE EXCHANGE

1.1 Exchange. The Series C Stockholder does hereby transfer, assign, convey and deliver to the Company the number of shares of Series C Preferred Stock set forth opposite that Stockholder's name on Schedule 1.1, in exchange for an equal number of Shares of Series D Preferred Stock. The Series C Stockholder has delivered to the Company the certificate or certificates representing such shares of Series C Preferred Stock, with duly executed stock powers endorsed in blank, and the shares of Series C Preferred Stock delivered hereunder shall be cancelled and a new certificate or certificates shall be issued and delivered promptly to the Series C Stockholder evidencing that number of shares of Series D Preferred Stock equal to the number of shares of Series C Preferred Stock set forth opposite such Series C Stockholder's name on Schedule 1.1.

1.2 Registration Rights Agreement. The parties hereto acknowledge and agree that the Common Stock issuable upon conversion of the Series D Preferred Stock shall be treated as "Conversion Shares" pursuant to that certain Registration Rights Agreement (the

"Registration Rights Agreement"), dated as of March 15, 1996, by and between the Company and the Buyer (as defined therein) and that the rights and obligations of the parties under the Registration Rights Agreement with respect to Conversion Shares (as defined in the Registration Rights Agreement) will attach to the shares of Common Stock issuable upon conversion of the Series D Preferred Stock, provided, however, that the obligation of the Company to file a registration statement with respect to the shares of Common Stock issuable upon exercise of the Series D Preferred Stock shall not commence until two hundred ten (210) days from the date hereof.

1.3 Securities Purchase Agreement. Sections 2(d), (e), (f) and (g); 4(b), (c), (h) and (j); and 5 (the "Surviving Sections") of the Securities Purchase Agreement (the "Securities Purchase Agreement"), dated as of March 15, 1996, by and between the Company and the Buyer (as defined therein) and the definitions of defined terms used in the Surviving Sections but defined elsewhere in the Securities Purchase Agreement shall remain in full force and effect as if the shares of Series D Preferred Stock issued to the Series C Stockholder hereunder were issued and sold to the Series C Stockholder pursuant to the Securities Purchase Agreement at the time the shares of Series C Preferred Stock purchased by the Series C Stockholder thereunder were issued. Except as provided in the preceding sentence, the Securities Purchase Agreement

shall be deemed to be terminated and the provisions thereof to be null and void and the rights of the Series C Stockholder with respect to the Series D Preferred Stock and Warrants (as defined in the Securities Purchase Agreement) issued to the Series C Stockholder shall be governed by and subject to (A) the Certificate of Designations (the "Certificate of Designations") relating to the Series D Preferred Stock, a copy of which is attached hereto as Exhibit A and made a part hereof, (B) the Registration Rights Agreement, a copy of which is attached hereto as Exhibit B and made a part hereof, and (C) the Amended and Restated Warrant, of even date herewith, by the Company in favor of GFL Performance Fund Ltd., a copy of which is attached hereto as Exhibit C.

1.4 Lock-up. The Series C Stockholder agrees that from the date hereof and continuing for a period of twelve (12) months, it will not, without the Company's prior written consent, offer, sell or contract to sell, directly or indirectly, any shares of the Company's Common Stock received by it upon conversion of the Series D Preferred Stock.

2. REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to the Series C Stockholder as follows:

2.1 Existence and Power. The Company is validly existing and in good standing under the laws of its state of incorporation. The Company has the full corporate power and authority to enter into and perform this Agreement and each other instrument it is executing and delivering in connection with this Agreement (collectively, the "Transaction Documents"). The Company has the full corporate power and authority to carry on its business as now conducted, and to own, lease and operate its properties as it now does. The

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Company is qualified to do business as a foreign corporation in each jurisdiction in which it is required to be qualified.

2.2 Authorization. The execution, delivery and performance of each of the Transaction Documents have been duly authorized by all necessary action, and each of the Transaction Documents constitutes the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

2.3 Consents of Third Parties. The execution, delivery and performance of each of the Transaction Documents by the Company will not (a) violate or conflict with the certificate of incorporation or by-laws of the Company; (b) conflict with, or result in the breach, termination or acceleration of, or constitute a default under, any lease, mortgage, license, agreement, commitment or other instrument to which the Company is a party or by which it or any of its properties are bound; (c) constitute a violation of any law, regulation, order, writ, judgment, injunction or decree applicable to the Company or any of the Company's properties or require any governmental consent, registration or approval; or (d) result in the creation of any lien upon the properties or assets of the Company.

2.4 Litigation. There is no judicial or administrative action or proceeding pending or, to the best knowledge of the Company, threatened, nor, to the best knowledge of the Company, is there any governmental investigation pending or threatened, that questions the validity of any of the Transaction Documents or any action taken or to be taken by the Company in connection with any of the Transaction Documents.

2.5 Validity of Shares. The shares of Series D Preferred Stock issued by the Company in exchange for Series C Preferred Stock, are validly issued, fully paid and non-assessable.

3. REPRESENTATIONS AND WARRANTIES OF THE Series C Stockholder.

The Series C Stockholder hereby represents and warrants to the Company as follows:

3.1 Existence and Power. That the Series C Stockholder is validly existing and in good standing under the law of the jurisdiction of its organization and has the full power and authority to enter into and perform this Agreement.

3.2 Authorization. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action, and this Agreement constitutes the valid and binding obligation of the Series C Stockholder enforceable against it in

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accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights in general and subject to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

3.3 Consents of Third Parties. The execution, delivery and performance this Agreement will not: (a) violate or conflict with its partnership agreement, certificate of incorporation or by-laws or other similar organizational documents of the Series C Stockholder; (b) conflict with, or result in the breach, termination or acceleration of, or constitute a default under, any lease, mortgage, license, agreement, commitment or other instrument to which it is a party or by which it or any of its properties are bound; or (c) constitute a violation of any law, regulation, order, writ, judgment, injunction or decree applicable to it or any of its properties or require any governmental consent, registration or approval.

3.4 Litigation. There is no judicial or administrative action or proceeding pending or, to the best knowledge of the Series C Stockholder, threatened, nor, to the best knowledge of the Series C Stockholder, is there any governmental investigation pending or threatened, that questions the validity of this Agreement or any action taken or to be taken by it in connection with this Agreement.

3.5 Investment. The Series C Stockholder is an accredited investor (within the meaning of the rules and regulations under the Securities Act of 1933, as amended) and will be acquiring Series D Preferred Stock for investment and not with a view to distribution in violation of the Securities Act.

3.6 Brokers. No agreement, arrangement or understanding with any broker or finder in connection with the transactions contemplated by this Agreement has been entered into by that Series C Stockholder.

3.7 Ownership. That each Series C Stockholder is the record and beneficial owner of the shares of Series C Preferred Stock set forth opposite that Series C Stockholder's name on Schedule 1.1, free and clear of all liens, claims and encumbrances of any kind.

4. ADDITIONAL AGREEMENTS.

4.1 Indemnification. The Company, on one hand, and the Series C Stockholder, on the other hand, agree to indemnify and hold harmless the other party from and against any and all damage, loss, liability, claim, or expense (including reasonable attorney's fees) incurred by such other party resulting from, or which exists or arises due to (i) any inaccuracy, breach or omission of, from, or in, the representations and warranties of such party contained in this Agreement, or (ii) the nonfulfillment of any agreement or obligation of such party under this Agreement.

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4.2 Further Acknowledgement. The Series C Stockholder hereby authorizes the cancellation of the Series C Preferred Stock and the issuance of Series D Preferred Stock to such holder. The Series C Stockholder acknowledges and agrees that, except as provided herein, upon the consummation of the transactions contemplated by this Agreement such Series C Stockholder shall have no rights as a Series C Stockholder and further, that this Agreement constitutes a settlement and relinquishment of its rights as a holder of the Series C

Preferred Stock, including but not limited to, the conversion rights with respect to the Series C Preferred Stock. Accordingly, in consideration of the agreements made by the Company hereunder, the Series C Stockholder hereby releases and discharges the Company, and its successors and assigns, from any and all claims, demands, rights or liabilities which the Series C Stockholder ever had, now has or may have in the future, by reason of, arising out of, or in any way connected with the Series C Stockholder's status as a holder of the Series C Preferred Stock.

5. GENERAL PROVISIONS.

The parties further covenant and agree as follows:

5.1 Amendments. This Agreement may be amended, supplemented or interpreted only by written instrument duly executed by each of the parties hereto.

5.2 Contents of Agreement, Parties in Interest, Assignment. This Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof. Any previous agreements or understandings between the parties regarding the subject matter hereof are merged into and superseded by this Agreement in accordance with its terms. All representations, warranties, terms and conditions of this Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective heirs, legal representatives, successors and permitted assigns of the parties hereto.

5.3 Severability. In the event that any one or more of the provisions contained in this Agreement shall be invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions of this Agreement shall not be in any way impaired.

5.4 Headings. The headings of the Sections and the subsections of this Agreement are inserted for convenience of reference only and shall not constitute a part hereof.

5.5 Instruments of Further Assurance. Each of the parties hereto agrees, upon the request of any of the other party hereto, from time to time to execute and deliver to such other party or parties all such instruments and documents of further assurance or otherwise as shall be reasonable under the circumstances, and to do any and all such acts and things as may reasonably be required to carry out the obligations of such requested party hereunder.

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5.6 Specific Performance, Etc. Each of the parties hereto will be entitled to specific performance of its rights under this Agreement. Each of the parties hereto agrees that a breach of any of the provisions of this Agreement will cause irreparable injury to the nonbreaching party, that such nonbreaching party have no adequate remedy at law in respect of such breach and, as a consequence, that each and every provision contained in this Agreement shall be specifically enforceable against all parties hereto.

5.7 Governing Law; Jurisdiction. This Agreement shall be governed, construed and enforced in accordance with the internal laws of the State of Delaware, excluding any choice of law rules which may direct the application of the laws of another jurisdiction.

5.8 Counterparts. This Agreement may be executed in counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument.

IN WITNESS WHEREOF, this Agreement has been executed by the parties hereto as of the day and year first above written.

ENZON, INC.

By: /S/KENNETH J. ZUERBLIS

Name: Kenneth J. Zuerblis
Its: Vice President, Finance and

Chief Financial Officer

GFL PERFORMANCE FUND LTD.

By: /S/HANS FREDERIC HEYE

Name: Hans Frederic Heye

Its: Director

Address: GFL Performance Fund Ltd.
c/o Clearwater Funds
611 Druid Road East
Suite 200
Clearwater, Florida 34616

Administrator
Curacao International Trust Co. N.V.
Kaya Flamboyan 9
P.O. Box 812
Curacao, Netherland Antilles

AGREEMENT REGARDING REGISTRATION RIGHTS UNDER
REGISTRATION RIGHTS AGREEMENT

Enzon, Inc.
20 Kingsbridge Road
Piscataway, NJ 08854

Dear Sir or Madam:

Reference is hereby made to the Registration Rights Agreement (the "Registration Rights Agreement") dated March 15, 1996 by and among Enzon, Inc. and the security holders named on the signature page thereto, including the undersigned.

The undersigned understand that in arranging for (i) the exchange of the Company's Series C Convertible Preferred Stock (the "Series C") and warrants to purchase common stock, par value \$.01 (the "Common Stock") of the Company issued in connection with the issuance of the Series C, for shares of Series D Convertible Preferred Stock (the "Series D") and warrants (the "Series D Warrants") issued in connection with the issuance of the Series D and (ii) the transfer from GFL Advantage Fund Ltd. to Clearwater Fund IV LLC of the warrants (the "Series B Warrants") to purchase Common Stock issued in connection with the private placement of the Company's Series B Convertible Preferred Stock, the Company will be required to (i) file a new registration statement (the "New Registration Statement") with respect to outstanding shares of Common Stock, shares of Common Stock issuable on conversion of the Series D, shares of Common Stock issuable on exercise of the Series D Warrants (the "Series D Shares") and (ii) with respect to the shares of Common Stock underlying the Series B Warrants (the "Warrant Shares") (A) include the Warrant Shares in the New Registration Statement or (B) file a post-effective amendment or supplement to the Prospectus dated May 7, 1996 relating to, inter alia, the Warrant Shares (the "Amended Registration Statement"). The undersigned further acknowledge that during the period prior to the determination of the effectiveness of the Registration Statement by the Securities and Exchange Commission ("SEC"), the SEC may comment on the Registration Statement or otherwise delay the effectiveness of the Registration Statement for a period of time.

Pursuant to Section 10 of the Registration Rights Agreement, the undersigned hereby agree (i) to the Company using its best efforts to file a registration statement with respect to the Series D Shares within 210 days from the date hereof, (ii) to the Company using its best efforts to include the Warrant Shares on the Amended Registration Statement or the New Registration Statement and to secure the effectiveness of such registration statements and (iii) that during the period subsequent to the

filing of and prior to the SEC declaring the Amended Registration Statement or New Registration Statement effective, the Company will be deemed in full compliance with its obligations under the Registration Rights Agreement and the undersigned hereby waives any penalties, remedies or any other rights available under such agreement with respect to the matters covered in sections (i), (ii) and (iii) of this paragraph and agrees that any such penalties, remedies or any other rights will be unavailable.

This agreement is limited to the matters described herein.

This consent may be executed in counterparts, each of which shall be considered an original, but all of which together shall constitute the same instrument.

Dated: March 10, 1997

CLEARWATER FUND IV LLC

By: /S/HANS F. HEYE

<ARTICLE>

5

<LEGEND>

This schedule contains summary financial information extracted from the Enzon, Inc. and Subsidiaries Consolidated Condensed Balance Sheet as of March 31, 1997 and the Consolidated Condensed Statement of Operations for the three and nine months ended March 31, 1997 and is qualified in its entirety by reference to such financial statements.

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