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: 000-26534

VION PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-3671221**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
4 Science Park New Haven, CT	**06511**
(Address of principal executive offices)	(Zip Code)

(203) 498-4210

(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 ☒

The number of shares outstanding of the registrant's common stock as of May 7, 2007 was 72,849,540.

VION PHARMACEUTICALS, INC.
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PART I – FINANCIAL INFORMATION

In this report, unless the context otherwise requires, the terms "we," "us," "our," "the Company" and "Vion" refer to Vion Pharmaceuticals, Inc., a Delaware corporation.

PART I

FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

Vion Pharmaceuticals, Inc.
(A Development Stage Company)

Condensed Consolidated Balance Sheets
(Unaudited)

(In thousands, except share and per share data)	March 31, 2007	December 31, 2006
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 79,564	$ 30,914
Available-for-sale securities	36	100
Accounts receivable	16	9
Prepaid expenses	248	203
Deferred issuance costs	225	—
Total current assets	80,089	31,226
Property and equipment, net	614	605
Deferred issuance costs	870	—
Security deposits	25	25
Total assets	$ 81,598	$ 31,856
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accrued expenses	$ 4,797	$ 4,263
Interest payable	581	—
Accounts payable	443	1,057
Accrued payroll and payroll-related expenses	425	740
Deferred revenue	18	18
Total current liabilities	6,264	6,078
Deferred revenue	319	324
Convertible senior notes	53,494	—
Total liabilities	60,077	6,402
Shareholders' Equity:		
Preferred stock, $0.01 par value, authorized: 5,000,000 shares; issued and outstanding: none	—	—
Common stock, $0.01 par value, authorized: 150,000,000 shares; issued and outstanding: 72,699,540 and 71,366,506 shares at March 31, 2007 and December 31, 2006, respectively	727	714
Additional paid-in capital	203,866	199,793
Accumulated other comprehensive income	36	100
Deficit accumulated during the development stage	(183,108)	(175,153)
	21,521	25,454
Total liabilities and shareholders' equity	$ 81,598	$ 31,856

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

Vion Pharmaceuticals, Inc.
(A Development Stage Company)

Condensed Consolidated Statements of Operations
(Unaudited)

(In thousands, except per share data)	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	For the Period From May 1, 1994 (Inception) through March 31, 2007
Revenues:			
Technology license fees	$ 5	$ 9	$ 4,536
Research and laboratory support fees	—	—	5,932
Contract research grants	—	—	2,501
Total revenues	5	9	12,969
Operating expenses:			
Clinical trials	3,399	3,135	62,977
Other research and development	2,513	1,945	84,542
Total research and development	5,912	5,080	147,519
Selling, general and administrative	1,967	1,409	38,702
Total operating expenses	7,879	6,489	186,221
Loss from operations	(7,874)	(6,480)	(173,252)
Interest income	667	532	9,909
Interest expense	(739)	—	(953)
Other expense, net	(3)	(10)	(175)
Loss before income taxes	(7,949)	(5,958)	(164,471)
Income tax provision (benefit)	6	13	(107)
Net loss	(7,955)	(5,971)	(164,364)
Preferred stock dividends and accretion	—	—	(18,489)
Loss applicable to common shareholders	$(7,955)	$(5,971)	$(182,853)
Loss applicable to common shareholders per share	$ (0.12)	$ (0.09)	
Weighted-average number of shares of common stock outstanding	66,362	66,186	

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

Vion Pharmaceuticals, Inc.
(A Development Stage Company)

Condensed Consolidated Statement of Changes in Shareholders' Equity
(Unaudited)

(In thousands, except share data)	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income (Loss)	Deficit Accumulated During the Development Stage	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2006	71,366,506	$714	$199,793	$100	$(175,153)	$25,454
Issuance of warrants – February 2007			3,036			3,036
Stock-based compensation expense			1,050			1,050
Restricted stock awards	1,333,034	13	(13)			—
Change in net unrealized gains and losses				(64)		(64)
Net loss					(7,955)	(7,955)
Comprehensive loss						(8,019)
Balance at March 31, 2007	72,699,540	$727	$203,866	$ 36	$(183,108)	$21,521

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

Vion Pharmaceuticals, Inc.
(A Development Stage Company)

Condensed Consolidated Statements of Cash Flows
(Unaudited)

(In thousands)	For the Three Months Ended March 31, 2007	For the Three Months Ended March 31, 2006	For The Period From May 1, 1994 (Inception) through March 31, 2007
Cash flows from operating activities:			
Net loss	$(7,955)	$(5,971)	$(164,364)
Adjustments to reconcile net loss to net cash used in operating activities –			
Stock-based compensation	1,050	501	4,091
Amortization of issuance costs, original issue discount and assigned warrant value	158	—	158
Depreciation and amortization	62	56	3,328
Loss on equipment disposals	—	—	12
Purchased research and development	—	—	4,481
Stock issued for services	—	—	600
Amortization of financing costs	—	—	346
Extension/reissuance of placement agent warrants	—	—	168
Changes in operating assets and liabilities –			
Receivables and prepaid expenses	(52)	(285)	(263)
Other assets	—	—	(22)
Current liabilities	186	(464)	6,211
Deferred revenue	(5)	(5)	337
Net cash used in operating activities	(6,556)	(6,168)	(144,917)
Cash flows from investing activities:			
Acquisition of equipment	(71)	(35)	(3,010)
Purchases of marketable securities	—	—	(321,052)
Maturities of marketable securities	—	—	321,052
Net cash used in investing activities	(71)	(35)	(3,010)
Cash flows from financing activities:			
Net proceeds from placement of notes and warrants	55,277	—	55,277
Net proceeds from initial public offering	—	—	9,696
Net proceeds from issuance of common stock	—	24	112,346
Net proceeds from issuance of preferred stock	—	—	20,716
Net proceeds from exercise of warrants	—	—	30,669
Repayment of equipment capital leases	—	—	(927)
Other financing activities, net	—	—	(286)
Net cash provided by financing activities	55,277	24	227,491
Change in cash and cash equivalents	48,650	(6,179)	79,564
Cash and cash equivalents, beginning of period	30,914	52,762	—
Cash and cash equivalents, end of period	$79,564	$46,583	$ 79,564
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ —	$ —	$ 214
Cash paid for taxes	$ 13	$ 29	$ 149

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

Vion Pharmaceuticals, Inc.
(A Development Stage Company)

Notes to Condensed Consolidated Financial Statements
(Unaudited)

1. The Company

Vion Pharmaceuticals, Inc. (the "Company") is a development stage company engaged in the development of therapeutics for the treatment of cancer. The Company, formerly OncoRx, Inc., was incorporated in March 1992 as a Delaware corporation and began operations on May 1, 1994.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. They do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for interim periods are not necessarily indicative of the results that may be expected for the full year. For further information, refer to the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006 (File No. 000-26534).

3. Convertible Senior Notes and Warrants

In February 2007, the Company completed a private placement of $60 million aggregate principal amount of 7.75% convertible senior notes due 2012 and warrants to purchase up to an additional 7,800,000 shares of its common stock. The Company pays interest on the notes semi-annually on February 15 and August 15. The Company may pay interest at its option in cash or registered shares of its common stock, subject to certain limitations.

The Company received net proceeds after debt discount and issuance costs of approximately $55.3 million from the sale of the notes and warrants. The notes were recorded in the consolidated financial statements at an initial carrying value of approximately $53.4 million which represents the principal amount of the notes of $60 million less the original issue discount (OID) of $3.6 million given to the initial purchaser of the notes and the amount of the proceeds of approximately $3.0 million allocated to the warrants based on their relative fair value. Deferred issuance costs of approximately $1.1 million were also recorded in the consolidated financial statements. The deferred issuance costs, OID and assigned warrant value are being amortized as a component of interest expense using the effective interest method over the five-year term of the notes. The Company incurred interest expense of $739,000, which included amortization expense of $158,000, in connection with the notes and warrants for the three months ended March 31, 2007.

The notes are convertible into shares of the Company's common stock at the option of the holder of notes at any time after the earlier of (i) the date a shelf registration statement with respect to the resale of the shares of common stock issuable upon conversion of the notes becomes effective and (ii) August 19, 2007, and prior to the close of business on February 15, 2012, at an initial conversion rate of 520.833 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $1.92 per share. The conversion price is subject to adjustment under certain circumstances. If notes are called for redemption, the noteholders will be entitled to convert the notes at any time before the close of business on the date immediately preceding the date fixed for redemption.

The Company is obligated to pay the principal amount of the notes in cash on the maturity date, February 15, 2012. On or after February 15, 2010, the Company has the right to redeem some or all of the notes for cash at a redemption price equal to 100% of the principal amount, plus accrued and

unpaid interest to, but not including, the redemption date. Upon certain fundamental changes, holders of notes will have the right, subject to various conditions and restrictions, to require the Company to repurchase their notes, in whole or in part, at 100% of the principal amount, plus accrued and unpaid interest up to, but not including, the repurchase date.

The warrants are exercisable into shares of the Company's common stock at the option of the holder of warrants at any time after the earlier of (i) the date a shelf registration statement with respect to the resale of the shares of the common stock issuable upon exercise of the warrants becomes effective and (ii) 180 days after the closing of the sale of the warrants, and prior to the close of business on February 15, 2010, at an initial exercise price of $2.00 per share. Upon 30 days written notice, the Company may redeem the warrants, in whole or in part, at a price of $0.01 per warrant at any time after the warrants become exercisable; provided that, the last sales price of the Company's common stock equals or exceeds 150% of the exercise price per share of the warrants then in effect for any 20 trading days within a 30-consecutive trading day period ending three days before the Company sends the notice of redemption; and provided further that, at all times during such 30-consecutive trading day period there is an effective registration statement relating to the resale of all of the shares of common stock issuable to warrant holders upon exercise of the warrants.

The Company has subsequently filed a registration statement on Form S-3 relating to the resale of the shares of common stock underlying the notes and warrants by the investors and the primary issuance of shares of common stock which may be used to pay interest and make-whole amounts on such notes. The registration statement has not yet been declared effective by the Securities and Exchange Commission.

4. Per Share Data – Anti-dilution

As of March 31, 2007, the Company had outstanding warrants to purchase 16,998,971 shares of its common stock at exercise prices between $2.00 and $3.25 per share and outstanding stock options to purchase 4,212,842 shares of its common stock at exercise prices between $0.36 and $17.88 per share. As the Company has not generated net income in the periods presented, there is no dilutive per share calculation and therefore, these options and warrants as well as restricted shares of common stock not yet vested have not been considered in the per share calculations presented.

5. Income Taxes

For the three months ended March 31, 2007 and 2006, the Company recorded a provision of $6,000 and $13,000, respectively, for state capital taxes.

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FIN48) on January 1, 2007. Except for the provisions recorded for minimum state capital taxes and sales recorded of certain research and development tax credits to the State of Connecticut, the Company has not recorded a provision or benefit for income taxes in the consolidated financial statements due to recurring historical losses. The Company has unrecognized tax benefits of $68.2 million as of January 1, 2007. The Company has provided a full valuation allowance for its deferred tax asset. The adoption of FIN 48 did not have a material impact on the Company's consolidated financial position or results of operations.

6. Stock-Based Compensation

Equity Compensation Plans

2005 Stock Incentive Plan (2005 Plan) – The 2005 Plan provides for the issuance of up to 7,531,818 shares of common stock for a range of awards, including restricted stock, stock appreciation rights, deferred stock, other awards based on shares of common stock and performance awards. No award may be made under the 2005 Plan after October 25, 2015.

Stock Option Plans – As of March 31, 2007, the Company had stock options outstanding to purchase 4,212,842 shares of common stock under the following stock option plans: (i) the 2003 Stock

Option Plan; (ii) the Amended and Restated 1993 Stock Option Plan; and (iii) the Senior Executive Stock Option Plan. There are no additional shares available for issuance under these plans. The incentive options outstanding will continue to vest in annual installments of 25% on each of the first, second, third and fourth anniversaries of the date of grant, or earlier on a change of control. Incentive options expire the earlier of: (i) ten years after the date of grant, or (ii) three months after termination of service, if vested. Incentive options which are not vested expire immediately upon termination of service. The 1993 and 2003 Stock Option Plans provided for the automatic grant of non-qualified stock options to purchase shares of common stock to directors of the Company. All outstanding director options are vested. Generally, director options will expire the earlier of: (i) 10 years after the date of grant, or (i) one year after termination of service as a director under the 2003 Plan or 90 days after termination of service as a director under the 1993 Plan.

Employee Stock Purchase Plan (ESPP) – A total of 450,000 shares of common stock are authorized for issuance under the ESPP. The ESPP permits eligible employees to purchase up to 2,000 shares of common stock at the lower of 85% of the fair market value of the common stock at the beginning or at the end of each six-month offering period.

Stock-Based Compensation Expense

Beginning January 1, 2006, the Company has recognized compensation expense in accordance with Statement of Financial Accounting Standards 123 (revised 2004), "*Share-Based Payment*," (SFAS123R) using the straight-line attribution method for awards of restricted stock, grants of stock options and purchases under its employee stock purchase plan based on the grant-date fair value of the portion of stock-based payment awards that is ultimately expected to vest. Stock-based compensation expense of $1.0 million and $501,000 recognized for the three-month periods ended March 31, 2007 and 2006, respectively, included: (i) compensation expense for all share-based payments granted prior to, but not yet vested, as of December 31, 2005, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123, and (ii) compensation expense for share-based payments granted subsequent to December 31, 2005.

The following table shows the pro forma impact on net loss if the Company had applied the fair-value method under SFAS 123 to stock-based compensation for the period from inception through December 31, 2005 (in thousands, except per share amounts):

	From Inception (May 1, 1994) to December 31, 2005
Reported net loss	$(131,062)
Add: Stock-based employee compensation expense included in reported net loss	795
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards	(22,707)
Pro forma net loss	(152,974)
Pro forma preferred stock dividend and accretion	(18,489)
Pro forma loss applicable to common shareholders	$(171,463)

Stock Option Activity

A summary of the activity under the Company's stock option plans as of and for the three-month period ended March 31, 2007 is as follows:

	Options Outstanding (in 000's)	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term in Years	Weighted-Average Fair Value Per Share
Outstanding at January 1, 2007	4,232	$4.73		
Granted	—	—		
Exercised	—	—		
Forfeited	—	—		
Expired	(19)	$4.19		
Outstanding at March 31, 2007	4,213	$4.74	4.5	$3.73
Exercisable at March 31, 2007	3,960	$4.76	4.3	$3.79
Vested or expected to vest at March 31, 2007(1)	4,212	$4.74	4.5	$3.73

(1) In addition to the vested options, the Company expects a portion of the options not yet vested to vest at some point in the future. Options expected to vest are calculated by applying an estimated forfeiture rate to the options not yet vested.

The total grant-date fair value of stock options that vested during the three-month period ended March 31, 2007 was approximately $3,000.

For the three months ended March 31, 2007 and 2006, the Company recorded compensation expense related to stock options of approximately $80,000 and $213,000, respectively. As of March 31, 2007, there was approximately $567,000 of total unrecognized compensation cost related to unvested stock option awards. That cost is expected to be recognized throughout the period ending October 31, 2009.

Restricted Stock Activity

For the three months ended March 31, 2007 and 2006, the Company issued 1,333,034 shares and 1,682,225 shares of restricted stock, respectively, at a weighted-average fair value of $1.53 per share and $1.76 per share, respectively. The Company recorded net compensation expense for restricted stock of $969,000 and $288,000 for the three-month periods ended March 31, 2007 and 2006, respectively. As of March 31, 2007, there was $7.4 million of total unrecognized compensation cost related to unvested restricted stock awards. That cost is expected to be recognized throughout the period ending January 2010.

7. Related Party Transactions

In March 2007, the Company made a gift of $200,000 to support research projects through March 31, 2008 at a Yale University research laboratory headed by one of its directors. The gift is payable in four equal quarterly installments beginning April 1, 2007. In accordance with Statement of Financial Accounting Standards No. 116, *Accounting for Contributions Received and Contributions Made*, the Company recorded the total amount of the gift as research and development expense in the three-month period ended March 31, 2007. Included in the Company's current liabilities at March 31, 2007, is $200,000 for the gift.

Mr. Bickerstaff, one of the Company's directors, is a principal of CRT Capital Group LLC ("CRT"), which was the initial purchaser of the Company's convertible senior notes and warrants in a private placement in February 2007. CRT received a purchase discount of $3.6 million which represented 6% of the $60 million principal amount of the notes.

8. Commitments and Contingencies

During the first three months of 2007, except for the aforementioned gift obligation of $200,000, there were no significant changes in our reported payments due under contractual obligations and disclosed contingent contractual obligations related to potential milestone payments under our license agreements and potential cancellation fees under various agreements at December 31, 2006.

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

All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q, including without limitation statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations," regarding our financial position, business strategy, and plans and objectives of our management for future operations, are forward-looking statements. When used in this Quarterly Report on Form 10-Q, words such as "may," "will," "should," "could," "potential," "seek," "project," "predict," "anticipate," "believe," "estimate," "expect," "intend" and similar expressions, as they relate to us or our management, identify forward-looking statements. Forward-looking statements are based on the beliefs of our management as well as assumptions made by and information currently available to our management. Such statements are subject to certain risk factors which may cause our plans to differ or results to vary from those expected, including our ability to secure external sources of funding to continue operations, the inability to access capital and funding on favorable terms, continued operating losses and, as a result, the inability to continue operations, our dependence on regulatory approval for our products, delayed or unfavorable results of drug trials, the possibility that favorable results of earlier clinical trials are not predictive of safety and efficacy results in later clinical trials, the need for additional research and testing, and a variety of other risks set forth from time to time in our filings with the Securities and Exchange Commission including, but not limited to, the detailed discussion of risks attendant to the forward-looking statements included under Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006. The information contained in this Quarterly Report on Form 10-Q is believed to be current as of the date of filing with the Securities and Exchange Commission. Except in special circumstances in which a duty to update arises under law when prior disclosure becomes materially misleading in light of subsequent events, we do not intend to update any of these forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Overview

We are a development stage pharmaceutical company engaged in the development of therapeutics for the treatment of cancer. Our activities to date have consisted primarily of research and product development, preclinical trials of product candidates, obtaining regulatory approval for clinical trials, conducting clinical trials, conducting pre-launch commercialization activities, negotiating and obtaining collaborative agreements, and obtaining financing in support of these activities. Historically, our revenues have primarily consisted of contract research grants, technology license fees, and research and laboratory support fees. Since inception, we have generated minimal revenues and have incurred substantial operating losses from our activities. We currently have no material source of revenue and expect to incur substantial operating losses for the next several years due to expenses associated with our activities.

Our plan of operations for the next twelve months includes the following elements:

- Conduct clinical studies of Cloretazine® (VNP40101M) as a single agent or in combination with standard chemotherapy treatments;
- Provide product for clinical studies sponsored by the National Cancer Institute (NCI) of an intravenous formulation of Triapine®;
- Provide product for a clinical study sponsored by the NCI of an oral formulation of Triapine®;

- Resubmit an Investigational New Drug application for VNP40541 to the U.S. Food and Drug Administration (FDA) and, if approved, conduct Phase I clinical studies of VNP40541;
- Continue to conduct internal product development with respect to our clinical and preclinical products;
- Prepare for a potential filing of a New Drug Application for Cloretazine® (VNP40101M) with the FDA;
- Conduct pre-launch commercialization activities for Cloretazine® (VNP40101M);
- Seek development partners for our TAPET® product development program;
- Continue to support research and development being performed at Yale University and by other collaborators; and
- Continue to seek collaborative partnerships, joint ventures, co-promotional agreements or other arrangements with third parties.

We have five research and development projects, which include two product candidates in clinical trials (Cloretazine® (VNP40101M) and Triapine®), two product development programs in preclinical development (VNP40541 and hydrazone compounds) and one drug delivery technology (TAPET®) for which we are seeking a development partner. The following table provides information concerning the commencement dates of our clinical trials of Cloretazine® (VNP40101M) sponsored by us that remain open for patient accrual as of May 1, 2007.

Trial	Trial Commencement Date
Phase III trial in relapsed acute myelogenous leukemia (AML) in combination with Ara-C	March 2005
Phase II trial in small cell lung cancer	September 2005
Phase II trial in elderly *de novo* poor-risk acute myelogenous leukemia	May 2006

On November 13, 2006, we announced that we had accrued 210 patients to the Phase III trial of our lead anticancer agent Cloretazine® (VNP40101M). The trial is evaluating Cloretazine® (VNP40101M) in combination with Ara-C for the treatment of relapsed AML and is designed to accrue 420 patients if it continues to full accrual. The planned interim evaluation of safety and efficacy for this trial based on 210 patients by its Data Safety Monitoring Board (DSMB) is presently anticipated to occur in the second quarter of 2007, although we have limited control over the final timing. Based on the evaluation of the first 210 patients accrued in the Phase III trial, the DSMB will determine whether to allow the trial to continue as currently designed, whether the trial design should be modified or whether the trial should be terminated completely. Such a determination would be expected after the data is evaluated by its DSMB. There can be no assurance as to the results of the evaluation of these patients, or the timing of completion of this evaluation or this trial, and there should be no inference that the trial has achieved favorable results to date or that the DSMB will allow the Phase III trial to continue.

On January 25, 2007, we announced that we had recorded at least nine responses in our pivotal Phase II trial of Cloretazine® (VNP40101M) in elderly patients with *de novo* poor-risk AML. The trial is designed to continue to a total accrual of 85 patients if there have been at least nine responses in the first 42 patients. Accordingly, we are now in the second stage of accrual. There can be no assurance as to the results of this trial or the timing of completion of this trial, and there should be no inference that the trial has achieved favorable results to date.

The National Cancer Institute (NCI) is sponsoring clinical trials of Triapine®. We provide product for the NCI trials.

Completion of clinical trials may take several years or more and the length of time can vary substantially according to the type, complexity, novelty and intended use of a product candidate. Factors that can cause delay or termination of our clinical trials include:

- slow patient enrollment;
- long period of time required to track safety and effectiveness;
- lack of sufficient supplies of the product candidate;
- adverse medical events or side effects in treated patients;
- lack of effectiveness of the product candidate being tested;
- negative or equivocal findings of the data safety monitoring board, or DSMB, for a trial; and
- lack of sufficient funds.

The amount and types of costs incurred during a clinical trial vary depending upon the type of product candidate, the disease treated and the nature of the study.

We budget and monitor our research and development costs by category, as opposed to by product or study. Significant categories of costs include personnel, clinical, third party research and development services, and laboratory supplies.The cost to take a product candidate through clinical trials is dependent upon, among other things, the targeted disease indications, the timing, size and dosing schedule of the clinical trials for such product candidate, the number of patients enrolled in each trial and the speed at which patients are enrolled and treated. We could incur increased product development costs if we experience delays in trial enrollment, the evaluation of clinical trial results, or in applying for or obtaining regulatory approvals for any reason including the possible reasons for delay described above. These uncertainties and variability make it difficult to accurately predict the future cost of or timing to complete our product development projects.

We cannot be certain that any of our products will prove to be safe or effective, will achieve the safety and efficacy needed to proceed through Phase III or registrational clinical trials, will receive regulatory approvals, or will be successfully commercialized. Our clinical trials might prove that our product candidates may not be effective in treating disease or may have undesirable or unintended side effects, toxicities or other characteristics that require us to cease further development of the product.

We expect that we will need to enter into and complete Phase III or registrational clinical trials of our products in order to apply for regulatory approval. If we achieve successful completion of Phase III or registrational trials, which have commenced or which we may in the future commence, of which there can be no certainty, we intend to submit the results to the FDA to support an application for regulatory approval of the product.

Given the uncertainties related to pharmaceutical product development, we are currently unable to reliably estimate when, if ever, our product candidates will generate revenue and cash flows. We do not expect to receive net cash inflows from any of our major research and development projects until and unless a product candidate becomes a profitable commercial product.

Critical Accounting Policies and Estimates

The accompanying discussion and analysis of our financial condition and results of operations are based upon our consolidated financial statements and the related disclosures, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. These estimates form the basis for making judgments about the carrying values of assets and liabilities. We base our estimates and judgments on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates.

We believe the following policies to be the most critical to an understanding of our financial condition and results of operations because they require us to make estimates, assumptions and judgments about matters that are inherently uncertain.

Revenue Recognition

We record revenue under technology license agreements in accordance with the following:

- Nonrefundable upfront license fees for which no further performance obligations exist are recognized as revenue on the earlier of when payments are received or collection is assured;
- Nonrefundable upfront license fees including guaranteed, time-based payments that require continuing involvement in the form of development or other efforts by us are recognized as revenue ratably over the performance period; and
- Milestone payments are recognized as revenue when milestones, as defined in the applicable agreement, are achieved.

Actual license fees received may vary from recorded estimated revenues.

We record revenue from royalties, if any, based on licensees' sales of our products or technologies. Revenues are recognized as earned in accordance with the contract terms when royalties from licensees can be reliably measured and collectibility is reasonably assured. Royalty estimates are made in advance of amounts collected based on historical and forecasted trends.

The effect of any change in revenues from technology license agreements would be reflected in revenues in the period such determination was made. Historically, such adjustments have been insignificant.

Research and Development Expenses

We record research and development expenses as incurred. We disclose clinical trials expenses and other research and development expenses as separate components of research and development expense in our consolidated statements of operations to provide more meaningful information to our investors. These expenses are based, in part, on estimates of certain costs when incurred. The effect of any change in the clinical trials expenses and other research and development expenses would be reflected in the period such determination was made.

Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*" (FIN48) on January 1, 2007. The adoption of FIN 48 did not have a material impact on our consolidated financial position or results of operations. We provide deferred income taxes for the future tax consequences of temporary differences between the financial statement carrying amounts and the tax basis of assets and liabilities, and on operating loss and tax credit carryforwards. Except for the provisions recorded for minimum state capital taxes and the sales recorded of certain research and development tax credits to the State of Connecticut, we have not recorded a provision or benefit for income taxes in the consolidated financial statements due to recurring historical losses. Accordingly, we have provided a full valuation allowance for our deferred income tax asset as of March 31, 2007. In the event we were to determine that we would be able to realize deferred income tax assets in the future, an adjustment would be made to reduce the valuation allowance in the period of determination.

Stock-Based Compensation

For the three-month periods ended March 31, 2007 and 2006, we recognized $1.0 million and $501,000 of stock-based compensation expense in accordance with Statement of Financial Accounting Standard 123 (revised 2004), "*Share-Based Payment",* (SFAS 123R). We adopted SFAS 123R as of January 1, 2006 using the modified prospective method. Prior to the adoption of SFAS 123R, we accounted for share-based payments to employees using APB Opinion No. 25's, "*Accounting for Stock Issued to Employees*", intrinsic value method and, as such, generally recognized no compensation cost for employee stock options. Under the modified prospective application method, prior periods are not restated for the effect of SFAS 123R. We use the straight-line attribution method for all stock option grants.

Employee stock-based compensation is estimated at the date of grant using the fair value of the stock awards and is recognized as expense ratably over the requisite service period. Stock-based compensation cost recognized is based on (i) the requirement of SFAS 123R for all share-based payments granted after January 1, 2006 and (ii) the requirements of SFAS 123 for all awards granted to employees prior to January 1, 2006 that remained unvested as of that date.

As of March 31, 2007, the total compensation cost related to unvested awards of restricted stock and stock options not yet recognized in the statement of operations was approximately $7.9 million, which will be recognized throughout the period ending January 2010.

See Note 6 to our Condensed Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q for further information regarding stock-based compensation expense.

Results of Operations

Comparison of the Three-Month Periods Ended March 31, 2007 and 2006

Revenues. Revenues from technology license fees were $5,000 and $9,000 for the three-month periods ended March 31, 2007 and 2006, respectively. We have no material source of revenues.

Research and Development Expenses. Total research and development (R&D) expenses were $5.9 million and $5.1 million for the three-month periods ended March 31, 2007 and 2006, respectively, as a result of higher other R&D expenses of $568,000 and higher clinical trials expenses of $264,000. The increase in other R&D expenses was primarily due to development costs in support of a potential registration filing for Cloretazine® (VNP40101M), preclinical development costs related to our preclinical anticancer agent, VNP40541, a $200,000 gift to support research projects at a Yale University laboratory made in March 2007, and higher 2007 stock-based compensation expense of $187,000 for employees included in the other R&D group. The increase in clinical trials expenses was primarily due to higher costs for Cloretazine® (VNP40101M) trials of $401,000 and higher 2007 stock-based compensation expense of costs of $91,000 for employees included in the clinical group, partially offset by lower drug production costs of $193,000.

Selling, General and Administrative Expenses. Selling, general and administrative expenses were $2.0 million for the three-month period ended March 31, 2007 as compared to $1.4 million for the same period in 2006. The increase was primarily due to higher 2007 stock-based compensation expense of $271,000 for employees and directors included in the selling, general and administrative group as well as higher patent-related costs.

Interest Income. Interest income was $667,000 for the three months ended March 31, 2007, as compared to $532,000 for the same 2006 period. The increase was due to higher invested balances and higher interest rates in 2007.

Interest Expense. Interest expense, which included amortization of the deferred financing costs, original issue discount (OID), and assigned warrant value, of $739,000 was recorded for the three months ended March 31, 2007 related to our convertible senior notes and warrants issued in February 2007.

Other Expense, Net. Other expense was $3,000 for the three months ended March 31, 2007, as compared to $10,000 for the same 2006 period due to foreign currency exchange rate fluctuations for payments to a vendor outside the U.S. denominated in a foreign currency.

Income Taxes. For the three-month periods ended March 31, 2007 and 2006, a provision for state capital taxes of $6,000 and $13,000, respectively, was recorded.

Net Loss. As a result of the foregoing increases in expenses, the net loss was $8.0 million, or $0.12 per share based on weighted average shares outstanding of 66.4 million, for the three months ended March 31, 2007, compared to a net loss of $6.0 million, or $0.09 per share based on weighted average shares outstanding of 66.2 million, for the same 2006 period.

Liquidity and Capital Resources

At March 31, 2007, we had cash and cash equivalents of $79.6 million, compared to $30.9 million at December 31, 2006. The increase in 2007 was due primarily to net proceeds of $55.3 million from a

private placement of convertible senior notes and warrants, described below, offset by cash used to fund operating activities of $6.6 million and acquisitions of capital equipment of $71,000. Cash used in operations was primarily to fund clinical and preclinical product development activities as well as for working capital and general corporate purposes.

Cash Used in Operating Activities

Cash used in operating activities is primarily a result of our net loss. However, operating cash flows differ from net loss as a result of non-cash charges, changes in operating assets and liabilities, or differences in the timing of cash flows and earnings/expense recognition.

Significant components of cash used in operating activities are as follows:

Receivables and prepaid expenses increased $52,000 and $285,000 during the three months ended March 31, 2007 and 2006, respectively. The increase in 2007 was primarily due to higher prepaid insurance expense as the timing of insurance premium payments differs from the recognition of insurance expense. The increase in 2006 was due to a deposit made with a clinical research organization in connection with a clinical research agreement, partially offset by a reduction of prepaid insurance expense.

Current liabilities increased $186,000 during the three-month period ended March 31, 2007 compared to a decrease of $464,000 for the same 2006 period. The increase in 2007 was primarily due to interest accrued related to the convertible senior notes issued in February 2007 partially offset by a reduction in accrued payroll-related expenses due to the payment in 2007 of incentive compensation accrued as of December 31, 2006. The decrease in 2006 was primarily due to a reduction in accrued expenses and accrued payroll-related expenses due to the payment in 2006 of amounts accrued as of December 31, 2005.

Cash Used in Investing Activities

Cash used in investing activities relates to the acquisition of capital equipment. Capital expenditures of $71,000 and $35,000 for the three months ended March 31, 2007 and 2006, respectively, were primarily for computer software and computer hardware. Capital expenditures for fiscal 2007 are not expected to exceed $750,000.

Cash Provided by Financing Activities

Cash provided by financing activities is primarily related to capital raised from our sale of convertible senior notes and warrants, and proceeds from common stock issuances under our employee stock plans. For the three months ended March 31, 2007, we received net proceeds of $55.3 million from a private placement of convertible senior notes and warrants, described below. For the three months ended March 31, 2006, we received proceeds of $24,000 from the issuance of 43,000 shares of our common stock under employee stock plans. All proceeds are being and will be used to fund clinical and preclinical product development activities, and for working capital and general corporate purposes.

On February 20, 2007, we completed the sale of $60 million aggregate principal amount of our 7.75% convertible senior notes due 2012 and warrants to purchase up to 7,800,000 additional shares of our common stock to an initial purchaser for resale in a private placement to qualified institutional buyers pursuant to Rule 144A promulgated under the Securities Act of 1933, as amended, or the Act, to persons outside the United States under Regulation S under the Act and to institutional investors that are accredited investors within the meaning of Rule 501 of Regulation D under the Act. We received net proceeds of approximately $55.3 million from the sale of the notes and warrants.

We are obligated to pay the principal amount of the notes in cash on the maturity date, February 15, 2012. On or after, but not prior to, February 15, 2010, we have the right to redeem some or all of the notes for cash at any time, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to, but not including, the redemption date. Upon certain fundamental

changes (as described below), holders of notes will have the right, subject to various conditions and restrictions, to require us to repurchase their notes, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest up to, but not including, the repurchase date.

The notes bear interest at a rate of 7.75% per year, payable on February 15 and August 15 of each year, beginning on August 15, 2007. Interest may be paid at the Company's option in cash or registered shares of common stock or some combination of cash and registered shares of common stock having a fair market value equal to the interest payment due, in each case at our option subject to compliance with Nasdaq shareholder approval rules, from the date of issuance until repayment in full or until an earlier conversion, redemption or repurchase.

The notes and the Indenture under which they were issued restrict us from incurring indebtedness or other obligations, including senior secured indebtedness or other secured obligations, in the future.

The notes shall automatically convert at any time prior to maturity if the closing price per share of the common stock has exceeded 150% of the conversion price then in effect for at least 20 trading days within any 30-consecutive trading day period, provided that only those notes as to which we are then able to make the make-whole payment (defined below) under Nasdaq shareholder approval rules shall be automatically converted; and further provided that only those notes (i) for which a shelf registration statement was in effect with respect to the resale of the shares of common stock issuable upon automatic conversion for each day during such 30-consecutive trading day period or (ii) for which the shares issuable upon automatic conversion may be freely transferred pursuant to Rule 144(k) under the Act, shall be automatically converted. Upon any automatic conversion of the notes, we shall pay to holders an amount equal to $232.50 per $1,000 principal amount of notes so converted, less the amount of any interest paid on such notes prior to the conversion date. This payment may be made at the Company's option in cash, registered shares of common stock or some combination of cash and registered shares of common stock having a fair market value equal to the make-whole payment due.

Upon certain fundamental changes, holders of notes will have the right, subject to various conditions and restrictions, to require us to repurchase the Notes, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest up to, but not including, the repurchase date. If a fundamental change occurs prior to February 15, 2010, we may be required to pay a make-whole premium on the notes converted and not repurchased in connection with the fundamental change by issuing additional shares of common stock upon conversion of such notes.

If there is an event of default on the notes, the principal amount of the notes, plus accrued and unpaid interest may be declared immediately due and payable, subject to certain conditions set forth in the Indenture.

The warrants are exercisable into shares of our common stock at the option of the holder of Warrants at any time after the earlier of (i) the date a shelf registration statement with respect to the resale of the shares of common stock issuable upon exercise of the warrants becomes effective and (ii) August 19, 2007, and prior to the close of business on February 15, 2010, or earlier upon redemption, at an initial exercise price of $2.00 per share. The exercise price is subject to adjustment in accordance with the terms of the warrant. The Company may redeem the outstanding warrants in whole or in part for $0.01 per warrant at any time after the warrants become exercisable if, and only if, the last sales price of our common stock equals or exceeds 150% of the exercise price per share of the warrants then in effect for any 20 trading days within a 30-consecutive trading day period and at all times during such period there is an effective registration statement relating to the resale of all the shares of common stock issuable upon exercise of the warrants.

Future Cash Requirements

Based on our current operating plan, we estimate that our existing cash and cash equivalents totaling $79.6 million at March 31, 2007 will be sufficient to fund our operations through mid-2009. Our current operating plan and cash requirements may vary materially from the planned estimates due to results of preclinical development, clinical trials, product testing, relationships with strategic

partners, changes in focus and direction of our preclinical and clinical development programs, competitive and technological advances, the regulatory process in the United States and abroad, and other factors.

Unless we have a product that is generating significant revenues, or generate cash from other sources, we will need to raise substantial capital to complete our product development and clinical trials and to fund operations beyond mid-2009, however, we cannot assure you that we will be able to raise additional capital, nor can we predict what the terms of any financing might be.

Off-Balance Sheet Financing

We have no off-balance sheet arrangements that have a material current effect or that are reasonably likely to have a material future effect on our financial position or results of operations.

Contractual Obligations

In March 2007, the Company made a gift of $200,000 to support research projects through March 31, 2008 at a Yale University research laboratory. The gift is payable in four equal quarterly installments beginning April 1, 2007. Included in the Company's current liabilities at March 31, 2007, is $200,000 for the gift.

During the first three months of 2007, except for the aforementioned gift obligation, there were no significant changes in our reported payments due under contractual obligations and disclosed contingent contractual obligations related to potential milestone payments under our license agreements and potential cancellation fees under various agreements at December 31, 2006.

Available Information

The following information can be found on our website at http://www.vionpharm.com or may be obtained free of charge by contacting our Investor Relations Department at (203) 498-4210 or by sending an e-mail message to info@vionpharm.com:

- our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports as soon as reasonably practicable after such material is electronically filed with the Securities and Exchange Commission;
- our policies related to corporate governance, including the charter for the Nominating and Governance Committee of our Board of Directors, our code of ethics and business conduct applying to our directors, officers and employees, and our code of ethics applying to our chief executive officer and senior financial officials; and
- the charters of the Audit Committee and the Compensation Committee of our Board of Directors.

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

We are exposed to market risk, including changes to interest rates associated with our cash equivalents, and foreign currency exchange rates. The following describes the nature of these risks which we do not believe to be material to us.

Our cash equivalents are generally highly liquid investments in money market funds and U.S. treasury securities. These investments are subject to interest rate risk and as such our future investment income may fall short of expectations due to changes in interest rates. However, the conservative nature of our investments mitigates our interest rate exposure. Our investments are held for purposes other than trading and we believe that we currently have no material adverse market risk exposure. The weighted-average interest rate on cash equivalents held at March 31, 2007 was approximately 5.2%.

We have contracts with a vendor outside the U.S. that are denominated in a foreign currency. To date, fluctuations in this currency have not materially impacted our results of operations. We have no derivative financial instruments. We do not believe we have material exposures to changes in foreign currency exchange rates.

ITEM 4. ***Controls and Procedures***

(a) Disclosure controls and procedures – Our management, with the participation of our chief executive officer and chief financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2007. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that 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) were effective to ensure that the information required to be disclosed in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms.

(b) Changes in internal control over financial reporting – There has been no change in our internal control over financial reporting during the period covered by this quarterly report or in other factors that has materially affected or is reasonably likely to materially affect the Company's internal control.

PART II

OTHER INFORMATION

ITEM 1A. ***Risk Factors***

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

ITEM 2. ***Unregistered Sales of Equity Securities and Use of Proceeds***

On February 20, 2007, we completed the sale of $60 million aggregate principal amount of our 7.75% convertible senior notes due 2012 and warrants to purchase up to 7,800,000 shares of our common stock to an initial purchaser for resale in a private placement to qualified institutional buyers pursuant to Rule 144A promulgated under the Securities Act of 1933, as amended (the "Act"), to persons outside the United States under Regulation S under the Act and to institutional investors that are accredited investors within the meaning of Rule 501 of Regulation D under the Act. Net proceeds of approximately $55.3 million from the sale of the notes and warrants will be used to fund clinical and preclinical product development activities, working capital and general corporate purposes. We have subsequently filed a registration statement on Form S-3 relating to the resale of the shares of common stock underlying the notes and warrants by the investors and the primary issuance of shares of common stock which may be used to pay interest and make-whole amounts on such notes. The registration statement has not yet been declared effective by the Securities and Exchange Commission.

The terms of the notes are governed by an indenture, dated February 20, 2007, between the Company and U.S. Bank National Association, as trustee. The notes are convertible into shares of our common stock at the option of the holder of notes at any time after the earlier of (i) the date a shelf registration statement with respect to the resale of the shares of common stock issuable upon conversion of the Notes becomes effective and (ii) August 19, 2007, and prior to the close of business on February 15, 2012, at an initial conversion rate of 520.833 shares of common stock per $1,000 principal amount of notes, which is equivalent to a conversion price of approximately $1.92 per share. The conversion price is subject to adjustment in accordance with the terms of the Indenture. If notes are called for redemption, the noteholders will be entitled to convert the notes at any time before the close of business on the date immediately preceding the date fixed for redemption.

We are obligated to pay the principal amount of the notes in cash on the maturity date, February 15, 2012. On or after, but not prior to, February 15, 2010, we have the right to redeem some or all of the notes for cash at any time, at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest to, but not including, the redemption date. Upon certain fundamental changes (as described below), holders of notes will have the right, subject to various conditions and restrictions, to require us to repurchase their notes, in whole or in part, at 100% of the principal amount plus accrued and unpaid interest up to, but not including, the repurchase date.

The notes bear interest at the rate of 7.75% per year, payable on February 15 and August 15 of each year, beginning on August 15, 2007. Interest may be paid in cash or registered shares of common stock or some combination of cash and registered shares of common stock having a fair market value equal to the interest payment due, in each case at the Company's option subject to compliance with Nasdaq shareholder approval rules, from the date of issuance until repayment in full or until an earlier conversion, redemption or repurchase.

The warrants are exercisable into shares of our common stock at the option of the holder of warrants at any time after the earlier of (i) the date a shelf registration statement with respect to the

resale of the shares of our common stock issuable upon exercise of the warrants becomes effective and (ii) 180 days after the closing of the sale of the warrants, and prior to the close of business on February 15, 2010 at an initial exercise price of $2.00 per share. Upon 30 days written notice, we may redeem the warrants, in whole or in part, at a price of $0.01 per warrant at any time after the warrants become exercisable; provided that, the last sales price of our common stock equals or exceeds 150% of the exercise price per share of the warrants then in effect for any 20 trading days within a 30-consecutive trading day period ending three days before we send the notice of redemption; and provided further that, at all times during such 30-consecutive trading day period there is an effective registration statement relating to the resale of all of the shares of common stock issuable to warrant holders upon exercise of the warrants.

ITEM 6. ***Exhibits***

10.1	Master Supply Agreement for Commercial and Developmental Products, effective as of September 29, 2003, by and between Vion Pharmaceuticals, Inc. and Sigma Aldrich Five Chemicals, Inc. (f/k/a Tetrionics Inc.), as amended by that certain first amendment dated as of March 13, 2007(1)
10.2	Employment Offer Letter to James Tanguay dated March 9, 2007
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(1) Certain portions of this exhibit have been omitted pursuant to a request for an order granting confidential treatment by the Securities and Exchange Commission. The omitted non-public information has been filed with the Securities and Exchange Commission.

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.

Date: May 9, 2007

VION PHARMACEUTICALS, INC.

By: /s/ Howard B. Johnson
Howard B. Johnson
President and Chief Financial Officer

EXHIBIT 10.1

CONFIDENTIAL TREATMENT
REQUESTED PURSUANT TO RULE 24b-2

Certain portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934. The omitted materials have been filed separately with the Securities and Exchange Commission.

[*Execution Version*]

AMENDMENT TO MASTER SUPPLY AGREEMENT

This Amendment to Master Supply Agreement (the "Amendment") is dated March 8, 2007 but is effective as of the Effective Date, is entered between Vion Pharmaceuticals, Inc., ("**Vion**"), a Delaware corporation having its principal place of business at 4 Science Park, New Haven, CT 06511 and Sigma Aldrich Fine Chemicals, Inc. (formally Tetrionics, Inc.) ("**SAFC**"), a Wisconsin corporation having its principal place of business at 645 Science Drive, Madison, WI 53711.

W I T N E S S E T H :

Whereas, Vion and SAFC executed the MASTER SUPPLY AGREEMENT ("**Agreement**") dated September 29, 2003,

Whereas, Vion and SAFC may enter into a Master Commercial Supply Agreement at a future date,

[*]

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

A. Please amend Section 2 of the Agreement to read as follows:

2. Term. The initial term of this Agreement shall be for a period of three (3) years from the Effective Date, and shall renew automatically for additional three (3) year terms unless either party notifies the other in writing of its intention not to renew the Agreement at least eighteen (18) months prior to the end of the then current term.

B. Please amend section 4.3 of the Agreement to read as follows:

4.3 The purchase price will be determined in accordance with the timeline described in Appendix 2, and will remain in effect for the Product ordered hereunder (the "Purchase Price") until the second anniversary of the Effective Date. Following the second anniversary of the Effective Date, one hundred twenty (120) days prior written notice to Vion must be provided in order to increase the Purchase Price applicable to each twelve (12) month period thereafter. [*]

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* Confidential Treatment Requested

B. Please add the following new Section to the Agreement:

31. [*]

C. Unless specifically defined in this Amendment, all capitalized terms shall have the meaning given such terms in the Agreement.

D. All the terms and conditions of the Agreement not amended by this Amendment shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Amendment as of the date first written above.

Vion Pharmaceuticals, Inc.

By: _____
Ivan King, PhD
VP, Research & Development

Sigma Aldrich Fine Chemicals, Inc.

By: _____
Dennis R. Young
Director of Operations

* Confidential Treatment Requested

MASTER SUPPLY AGREEMENT

This Supply Agreement, dated September 29, 2003 (the "**Effective Date**"), is entered between Vion Pharmaceuticals, Inc. ("**Vion**"), a Delaware corporation having its principal place of business at 4 Science Park, New Haven, CT 06511, and Tetrionics, Inc. ("**Tetrionics**"), a Wisconsin corporation having its principal place of business at 645 Science Drive, Madison, WI 53711.

BACKGROUND

A. Vion desires to have Tetrionics supply to it from time to time quantities of VNP40101M (the "**Product**") on the terms and conditions set forth in this Agreement.

B. Tetrionics desires to be Vion's supplier of the Product on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual agreement set forth herein, the parties agree as follows:

(1) Supply of the Product.

a. Tetrionics shall supply the Product meeting the specifications set forth on Appendix I (the "**Specifications**") in the quantities and at the times requested by Vion from time to time pursuant to the terms of this Agreement. The Specifications shall be modified as required by Vion to comply with any change in applicable federal, state or local law, regulation or governmental authority and, any such modification shall be agreed upon in writing by the parties.

1.2 Tetrionics shall provide such facilities, equipment, labor and raw materials as may be necessary to perform the manufacturing, processing, testing and packaging of the Product as may be required herein.

(2) Term. The initial term of this Agreement shall be for a period of three (3) years from the Effective Date, and shall renew automatically for additional one (1) year terms unless either party notifies the other in writing of its intention not to renew this Agreement at least one hundred and twenty (120) days prior to the end of the then current term.

(3) Forecasts and Purchase Orders.

3.1 Vion will provide to Tetrionics a forecast of its anticipated required quantity of the Product. Forecasts shall be for the purpose of assisting Tetrionics in its planning and will not constitute an obligation of Vion to purchase such quantities of Product. [*] Tetrionics shall use all commercially reasonable efforts to satisfy any orders in excess of the maximum limits specified in the preceding sentence.

3.2 Vion shall place all orders for the Product by delivering to Tetrionics a written purchase order specifying the product, quantity, and delivery date. Tetrionics will advise Vion of the delivery date within 14 days of receipt of a written purchase order.

3.3 Tetrionics shall deliver Product ordered pursuant to each purchase order by the delivery date specified in such purchase order and shall notify Vion of anticipated delays of greater than fourteen (14) days in completing any order, which notice shall be sent to Vion immediately after Tetrionics becomes aware of such delay. Tetrionics shall keep Vion advised of all relevant information concerning the extent of any such delay in delivery and shall use all reasonable efforts to minimize such delay. In the event of any such delay of greater than fourteen (14) business days, Vion shall receive a reduction of five percent (5%) of the Purchase Price of any such order, so long as the cause of the delay is completely within the control of Tetrionics.

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* Confidential Treatment Requested

(4) Delivery and Payment Terms; Purchase Price.

4.1 All Product sold hereunder shall be delivered ex factory, Madison, Wisconsin. Tetrionics shall arrange for shipment of Product to the address, and with the carrier specified by Vion. Vion shall bear the expense and risk for the shipment and insurance of the Product to the site designated by Vion.

4.2 Payment for Product accepted by Vion shall be made in U.S. dollars within thirty (30) days of Vion's receipt of an invoice from Tetrionics, such invoice to be sent to Vion upon delivery of the Product.

4.3 The purchase price will be determined in accordance with the timeline described in Appendix 2, and will remain in effect for the Product ordered hereunder (the "**Purchase Price**") until the second anniversary of the Effective Date. Following the second anniversary of the Effective Date, one hundred twenty (120) days prior written notice to Vion must be provided in order to increase the Purchase Price applicable to each twelve (12) month period thereafter.

4.4 Vion shall pay the Product Development Costs as specified in Appendix 2 in accordance with the payment terms set forth in Appendix 3.

4.5 In the event that Vion requests changes to the Specifications of the Product which result in an increase in the standard cost incurred by Tetrionics (excluding those one-time costs identified in Section 4.6), then the Purchase Price shall be adjusted by the amount of any such increase which is documented to the reasonable satisfaction of Vion. Tetrionics agrees to make reasonable efforts to maintain the efficiency of its operations in order to provide a cost effective product to Vion.

4.6 Vion shall bear the reasonable, documented cost of any one-time set up expenses which are required solely to accommodate changes in the Specifications requested by Vion, and that are required to be purchased solely to accommodate changes to the Specifications requested by Vion; provided, that in each case such costs are approved in advance in writing by Vion, and provided further that all items purchased by Vion shall be the property of Vion and shall be subject to Section 13 hereof.

(5) Regulatory Requirements.

a. Tetrionics shall be responsible for complying with all applicable state, federal and local regulatory authority requirements relating solely to the manufacture of the Product for sale to Vion, including without limitation cGMP. Both parties shall comply with all other regulatory authority requirements relating to their respective obligations hereunder, including without limitation, registration as drug producers. The parties shall provide each other with reasonable assistance in communicating information to the appropriate regulatory authorities concerning the Product.

5.2 Vion shall compile and maintain any drug master file ("**DMF**") for Tetrionics and shall grant Tetrionics rights of reference to any such DMF for Tetrionics and, at Tetrionics' request, shall provide Tetrionics and any appropriate regulatory authority appropriate letters of consent or other instruments to validate such rights. Vion shall notify Tetrionics of any changes, additions or corrections to the DMF in a reasonable and timely manner.

5.3 Tetrionics shall maintain and enforce safety procedures for the handling and manufacture of the Product that comply in all respects with all applicable federal, state and local occupational safety and health requirements and Tetrionics' approvals and permits. Tetrionics shall provide Vion with a material safety data sheet for any hazardous chemical substance in the Product.

5.4 Tetrionics shall not make any changes to the manufacturing process or test methods with respect to the Product without the prior written approval of Vion. Tetrionics shall give to

Vion ninety (90) days prior written notice (in accordance with the provisions of Section 15 hereof) of any such proposed changes to the manufacturing process or test methods with respect to the Product. Vion shall notify Tetrionics within such ninety (90) day period whether or not it objects to the proposed change.

6. Tetrionics Representations and Warranties. Tetrionics represents and warrants to Vion that:

6.1 Upon delivery to Vion in accordance with Section 4.1 hereof, all Product batches will be free from defects in material and workmanship, will have been manufactured and packaged to meet and be in accordance with the Specifications, cGMP and all applicable state, federal and local laws and regulations, and will not be adulterated or misbranded.

6.3 All facilities, equipment, manufacturing operations and processes used in the manufacture, testing and packaging of the Product by Tetrionics will remain during the term of this Agreement in material compliance with all applicable federal, state and local laws and regulations, including without limitation, health, safety and environmental laws, statutes, ordinances, regulations, rules and orders and the Fair Labor Standards Act, as amended.

7. Product Release and Acceptance.

7.1 Upon determination by Tetrionics that a given Product production batch meets the Specifications, Tetrionics shall send Vion a finished product certificate of analysis stating the results of the analyses conducted with respect to each Product batch, and certifying that the Product batch has been manufactured in accordance with cGMP and copies of manufacturing and batch control records and copies of manufacturing and quality control records relating to each such Product batch (the "Release Documents"). If Vion has not notified Tetrionics to the contrary by facsimile within fifteen (15) business days of receipt of the Release Documents for each batch of Product, then Tetrionics may invoice Vion by facsimile for each such batch and such invoice shall be due on a net 30-day basis. If requested by Vion, Tetrionics shall take such other reasonable actions with respect to such records as may be required to permit Vion to comply with applicable regulatory requirements.

7.2 Vion shall have the right not to accept any Product batch that complies with Specifications, but which has not been manufactured by Tetrionics in accordance with the procedures and processes agreed to pursuant to this Agreement.

7.3 Vion may inspect any shipment of Product to determine whether any portion of it fails to conform with the applicable purchase order or the Specifications. In the event of any such failure, Vion may reject the shipment or any nonconforming portion thereof, by written notice to the Tetrionics delivered within forty-five (45) days of Vion's receipt of such shipment; however, any such rejection after receipt of an invoice properly sent above shall not extinguish Vion's liability to pay timely such invoice. Such notice shall specify the manner in which the shipment fails to conform. In the absence of any such notice, Vion shall be deemed to have accepted the Product. If there is a disagreement between the parties as to whether the Product meets the Specifications, then samples from the batch which is in dispute will be submitted to an independent testing laboratory acceptable to both parties for testing. The determination of such independent laboratory will be binding. The cost of the testing by the independent laboratory shall be borne by the party whose results differ from those of the independent laboratory as to whether the Product in question meets the Specifications.

7.4 [*]

7.5 In the event any Product batch is shown not to conform to the Specifications in any certificate of analysis provided by Tetrionics, in any testing performed by or for Vion or through use of the Product, and any disagreement has been resolved in Vion's favor pursuant to subsection 7.3 above, then Tetrionics shall, at Vion's option, [*] or [*] The parties shall discuss appropriate steps to be taken to dispose of nonconforming batches.

7.6 No Product batch shall be reworked or reprocessed in any way without Vion's prior written consent. In the event that the approved batch record contains an authorized reprocessing step, Tetrionics shall be allowed to conduct that authorized step without prior consent of Vion. Tetrionics will notify Vion of all such instances.

8. Inspections and Auditing.

8.1 Upon reasonable notice to Tetrionics, Tetrionics shall make available to Vion for review during normal business hours at the offices of Tetrionics all records and reports relating to the manufacture, processing, testing and packaging of the Product. During the Term of this Agreement, Vion shall have the right two times each calendar year and on such other occasions as Vion reasonably deems necessary during normal business hours and upon reasonable prior notice, to audit, inspect and observe the manufacture, processing, testing, packaging, storage and transportation of materials related to or used in the manufacture of the Product for purposes of conducting quality control audits required for its internal control or confirming compliance with legal or other requirements as imposed pursuant to this Agreement. A representative of Tetrionics may be present during such inspections. Such representatives of Vion shall have no responsibility for or right to supervise Tetrionics' employees performing the manufacture, processing, testing, packaging, storage or transportation operations or for the operations themselves. Vion shall be responsible for all its expenses related to such audits.

8.2 Tetrionics shall promptly notify Vion of the results, observations and outcome of all inspections and/or audits of Tetrionics' facilities and/or operations conducted by state, federal and local governmental agencies, local and federal, including without limitation the FDA, if the result of any such inspection and/or audit is to endanger or potentially endanger Tetrionics' ability to manufacture the Product for Vion.

8.3 Should any inspections or audits referred to in Sections 8.1 or 8.2 require any process changes, Tetrionics shall notify Vion immediately and the parties shall discuss the means for implementing such changes. No change shall be implemented by Tetrionics without the prior written consent of Vion.

8.4 The parties agree that in the case of an emergency affecting the quality of the Product, Tetrionics shall immediately notify Vion of such emergency and allow a Vion representative access to those areas of Tetrionics' premises concerned with or affecting the Product.

9. Recall.

9.1 Vion shall have the right to initiate any recall of Product manufactured pursuant to this Agreement, required by applicable laws or regulations or deemed necessary by Vion, and Tetrionics shall provide all reasonable assistance requested by Vion in connection therewith.

9.2 In the event that Product manufactured pursuant to this Agreement is recalled as a result of an act or omission or an event attributable to Tetrionics, its agents or its contractors, then Tetrionics shall reimburse Vion for and/or bear all reasonable documented costs and expenses of conducting such recall.

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* Confidential Treatment Requested

10. Force Majeure. The obligations of each party under this Agreement shall be suspended during the period and to the extent that such party is prevented or hindered from complying with such obligations by any cause beyond its reasonable control, including lock-outs, acts of God, war, riot, civil commotion, malicious damage, compliance with any law or governmental order, rule, regulation or direction, accident, fire, flood, storm, and mandatory recalls in connection with the performance of this Agreement. In such event, the party concerned shall give notice to the other party as soon as reasonably practicable stating the date and extent of the suspension of its activities, and the cause of such suspension. Any party whose obligations have been so suspended shall resume the performance of such obligations as soon as reasonably practicable after the removal of the cause and shall so notify the other party. In the event that the cause continues for more than six (6) months, either party may terminate this Agreement on thirty (30) days' written notice.

11. Insurance.

    11.1 For the term of this Agreement and six (6) years thereafter, or for so long as Product manufactured by Tetrionics under this Agreement is used by Vion, each party shall purchase and maintain in effect, at its sole cost, a policy of comprehensive general liability insurance in amounts not less than $5,000,000 per occurrence and $5 million in annual aggregate liability. Such comprehensive general liability insurance shall provide broad form contractual liability coverage for each party's indemnification obligations under this Agreement. The minimum amounts of coverage required herein are not meant to create a limit of liability with respect to each party's indemnification obligations under this Agreement.

    11.2 The parties shall provide each other with written evidence of such insurance upon the other party's request. Each party shall provide the other party with written notice at least thirty (30) days prior to the cancellation, non-renewal or adverse material change in such insurance.

12. Adverse Event Reports: Product Complaints.

    12.1 Vion shall be solely responsible for receiving, recording and responding to all customer inquiries and complaints and all reports of alleged adverse events relating to the Product. Vion shall be solely responsible for reporting all such matters to government authorities in accordance with the applicable law; provided, that Tetrionics shall cooperate with Vion and provide any technical information relating to investigations, quality attributes, formulation, manufacture or stability of the Product reasonably necessary to enable Vion to perform all such activities.

13. Confidentiality. The parties hereby affirm and incorporate by reference into this Agreement the Confidentiality Agreement between the parties dated 17 February 2003.

14. Indemnification

    14.1 Subject to the provisions of Section 14.3 below, Vion shall indemnify, defend and hold Tetrionics and its affiliates, directors, officers, employees and agents harmless from and against any and all damages, losses, liabilities, claims, demands, judgments, settlements, costs and expenses (including without limitation, reasonable attorneys' fees and other costs of defense) (collectively "**Damages**") to the extent attributable to, or arising out of (i) any breach of any representation or warranty of Vion hereunder, or (ii) the gross negligence or willful misconduct of Vion. Vion shall have full control over the defense of any such litigation, and agrees to bear all costs and expenses therefor. Tetrionics, at its own expense, will be entitled to be represented by its own counsel in any such litigation.

14.2 Subject to the provisions of Section 14.3 below, Tetrionics shall indemnify, defend and hold Vion and its affiliates, directors, officers, employees from and against any and all Damages to the extent attributable to, or arising out of (i) any breach of representation or warranty of Tetrionics hereunder or (ii) the gross negligence or willful misconduct of Tetrionics. Tetrionics shall have full control over the defense of any litigation, and agrees to bear all costs and expenses therefor. Vion, at its own expense, will be entitled to be represented by its own counsel in any such action.

14.3 No indemnity under this Article 14 shall be applicable unless the indemnified party (the "**Indemnitee**") (i) gives the indemnifying party (the "**Indemnitor**") prompt notice of any claim, suit or action brought against the Indemnitee, (ii) allows the Indemnitor to defend the same, without prejudice to the right of the Indemnitee to participate at its expense through counsel of its own choosing, (iii) renders the Indemnitor all assistance reasonably necessary in defending against such claim, suit or action at the Indemnitor's expense, and (iv) does not compromise or settle such claim, suit or action without the Indemnitor's prior written consent. The Indemnitor shall not settle such claim, suit or action without the Indemnitee's consent if such settlement results in any obligation or liability on the part of the Indemnitee. If there is a failure to deliver notice under (i) above within fifteen (15) days after the commencement of any action with respect to any Damages, and such failure is prejudicial to the Indemnitor's ability to defend such action, then the Indemnitor shall be relieved of any liability to the Indemnitee pursuant to this Article 14; provided, that if the failure to so deliver written notice to the Indemnitor shall not relieve it of any liability it may otherwise have to the Indemnitee.

15. Notices. Any notice or request required or permitted to be given under or in connection with this Agreement shall be in writing in the English language and shall be deemed to have been duly given on the date of delivery if delivered personally, by confirmed facsimile or by courier on the party to whom such notice or request is to be given, or, if sent by certified or registered mail, or the equivalent, postage prepaid, on the fifth day after the date mailed, to the address set forth for such party below or such other address as directed in writing from time to time:

In the case of Vion:

Vion Pharmaceuticals, Inc.
4 Science Park
New Haven, CT 06511
Telephone No: 203-498-4210
Facsimile No: 203-498-4211
Attention: Jason DeGoes

In the case of Tetrionics:

Tetrionics, Inc.
645 Science Drive
Madison, WI 53711
Telephone No: 608-233-3115
Facsimile No: 608-233-6873
Attention: Michael Czarny

16. Governing Law. The enforceability of the provisions of this Agreement shall be governed, construed and enforced solely in accordance with the laws of the State of Delaware.

17. Entirety of Agreement: Amendment and Waiver. This Agreement and the appendices attached hereto set forth the entire agreement between the parties as to the subject matter hereof and merges all prior discussions and negotiations between them and neither of the parties shall be bound by any conditions, definitions, warranties, understandings or representations with respect to such subject matter other than as expressly provided herein.

Neither this Agreement, nor any of the terms or provisions hereof or appendices hereto, may be amended, modified, supplemented or waived, except by a written instrument signed by the parties hereto (or, in the case of a waiver, by the party granting such waiver). No waiver of any of the provisions of this Agreement shall be deemed to be or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver. No failure of a party hereto to insist upon strict compliance by the other party hereto with any obligation, covenant, agreement or condition contained in this Agreement shall operate as a waiver of any subsequent or other failure. This Agreement may not be modified by any custom or course of dealing between the parties.

18. Termination.

18.1 This Agreement may be terminated prior to its expiration:

(i) by the mutual written agreement of Vion and Tetrionics with respect to the termination of this entire Agreement or any portion hereof;

(ii) by either party, upon written notice, if there shall have been a material breach by the other party (the "**Breaching Party**") of any of the terms or provisions of this Agreement and such breach shall not have been cured within sixty (60) days after such Breaching Party shall have received notice of such breach from the non-breaching party setting forth the particularities of the breach and the non-breaching party's intent to terminate the Agreement; or

(iii) by either party upon written notice, if the other party is adjudged bankrupt or becomes the subject of dissolution, liquidation or bankruptcy proceedings, whether voluntary or involuntary, that are not dismissed within sixty (60) days or applies for judicial or extrajudicial settlement with creditors, or makes an assignment for the benefit of creditors.

18.2 Termination or expiration of this Agreement for any reason shall not relieve the parties of any obligation accruing prior to termination and shall not extinguish any antecedent breach of any of the provisions of this Agreement (including without limitation the right to indemnification pursuant to Section 14).

18.3 Upon termination or expiration of the Agreement, each party shall cease using the other party's Confidential Information and shall promptly return all originals, copies, reproductions and summaries of the other party's Confidential Information, or at the disclosing party's option, certify destruction of the same in writing;

18.4 At Vion's request, Tetrionics shall supply to Vion or its designee all material information in Tetrionics' possession or under its control relating to the manufacture of the Product, which may be necessary or useful for Vion or its designee to manufacture the Product.

19. Assignment. Neither of the parties shall assign or transfer this Agreement or any of their respective rights or obligations hereunder without the prior written consent of the other party, which shall not be unreasonably withheld or delayed, except that either party may assign this Agreement and the rights and obligations hereunder without the consent of the other party (i) to any affiliate, or (ii) to a third party in connection with the sale of all or substantially all of the business of the party to which this Agreement relates. However, Tetrionics may not assign this Agreement without Vion's consent if such assignment would cause a change in the Product or Tetrionics' ability to timely produce the Product. This Agreement is binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

20. Technology. No license of technology of any kind whatsoever (including without limitation any formulations, operating procedures, or proprietary know-how, whether patented or unpatented), copyright, trademark or other intellectual property, or right therein, is granted by Tetrionics to Vion or by Vion to Tetrionics under this Agreement.

21. Independent Contractor. This Agreement shall not create an agency, partnership, joint venture or employer/employee relationship between the parties hereto. Vion and Tetrionics each hereby agree not to represent itself in any such capacity in any manner whatsoever in reliance on the terms of this Agreement. The sole relationship established by this Agreement is that of independent contractors, and nothing hereunder shall be construed to give either party the power or authority to act for, represent, bind or commit the other party.

22. Survivorship. The representations, warranties and covenants of the parties contained within Sections 3.3 (with respect to outstanding purchase orders), 4.1-4.3 (with respect to outstanding purchase orders and invoices), 9, 11-15, 18.2, and 24 shall survive any expiration or termination of this Agreement.

23. Publicity. No advertising, sales, publicity, press release or promotional material or public statements concerning the Product, this Agreement or the business relationship between Vion and Tetrionics, or in which either party's name is mentioned, shall be issued, released or made use of by the other party or anyone acting on its behalf without the prior written approval of such party; provided, that nothing in this Agreement shall be deemed to prohibit either party from: (i) releasing materials or public statements which do not refer to the other party or this Agreement, or from issuing press releases or other public statements notifying appropriate governmental agencies in accordance with, or otherwise complying with the requirements of, any applicable law or regulation or relevant stock exchange; or (ii) disclosing the contents of this Agreement to its existing shareholders, prospective investors or its affiliates who have each signed an undertaking to keep the contents hereof confidential.

24. Remedies Cumulative. The remedies for nonperformance provided herein are cumulative and are not exclusive of any remedy provided by law.

25. Arbitration. Any dispute, controversy or claim arising out of or in connection with this Agreement or the breach, termination or invalidity hereof, that the parties are unable to resolve between themselves, shall be settled by arbitration in accordance with the Commercial Arbitration Rules of the American Arbitration Association. The proceedings shall take place in New York, New York. The arbitration shall be conducted by three (3) aribitrators, one (1) selected by Vion, one (1) selected by Tetrionics, and one (1) selected jointly by the two arbitrators selected by the parties.

26. Severability. In the event that any provision of this Agreement shall be found in any jurisdiction to be illegal or unenforceable in law or equity, such finding shall in no event invalidate any other provision of this Agreement in that jurisdiction, and this Agreement shall be deemed amended to the minimum extent required to comply with the law of such jurisdiction.

27. Singular and Plural Forms. The use herein of the singular form shall also denote the plural form, and the use herein of the plural form shall denote the singular form, as in each case the context may require.

28. Headings. The headings contained in this Agreement are for convenience of reference only and shall not constitute a part hereof or define, limit or otherwise affect the meaning of any of the terms or provisions hereof.

29. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which, when taken together, shall constitute one and the same instrument.

30. Entire Agreement. This Agreement sets forth the entire agreement and understanding between the parties as to the subject matter hereof and merges all prior discussions and negotiations between them, as well as the Letter of Intent between the parties dated June 10, 2003. No addition to or waiver or modification of any provision of this Agreement shall be binding unless in writing and signed by a duly authorized representative of each party.

IN WITNESS WHEREOF, the parties hereto have caused their duly authorized representatives to execute this Agreement as of the date first written above.

Vion Pharmaceuticals, Inc.	**Tetrionics, Inc.**
Terry Doyle, Ph.D. Vice President, Research and Development	Michael Czarny, Ph.D. Vice President, Business Development

Appendix 1. Product Specifications

The following are expected tests that may be incorporated into a specification for The Product. [*]

This list will be revised based on further discussions, product knowledge, process performance history and Vion input. In many cases, "to be determined" (TBD) is used when insufficient information currently exists. The analytical test, method and possible limits are listed in Table 2.

Table 2

[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
	[*]	[*]
	[*]	[*]
	[*]	[*]
[*]	[*]	[*]
[*]		
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]

* Confidential Treatment Requested

Appendix 2. Product Development, Initial Supply and Costs

1) Project Timeline, Scope of Work and Deliverables

Tetrionics has accepted responsibility for the deliverables listed in Table 1 below. [*] Timing is contingent upon availability and lead times for raw materials.

Table 1 summarizes our viewpoints of the project scope for the developmental plan/technology transfer and [*]

Table 1

[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]	[*]	[*]
[*]		
[*]		

2) Price, Terms, and Delivery

a) The cost for developmental run/technology transfer, analytical analysis, GMP manufacture, QC release and supply of 1 Kg of the API VNP40101M will be [*]

b) Tetrionics will initiate the project and ship the Product against the payment schedule outlined in Table 3.

Table 3

[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]
[*]	[*]	[*]	[*]	[*]

* Confidential Treatment Requested

EXHIBIT 10.2

EMPLOYMENT OFFER LETTER TO JAMES TANGUAY DATED MARCH 9, 2007

March 9, 2007

James F. Tanguay, Ph.D.
43 Wendover Road
East Windsor, NJ 08520

Dear Jim:

On behalf of Vion Pharmaceuticals, Inc. ("Vion" or "the Company"), I am very pleased to offer you the position of Vice President of Chemistry, Manufacturing & Control. In this capacity you will report directly to me, as President of Vion. You have represented and warranted to Vion that you are free to enter into employment with Vion as its Vice President of Chemistry, Manufacturing & Control as contemplated hereby, and to perform the duties required of such position, and that there are no employment contracts or understandings, restrictive covenants or other restrictions, whether written or oral, preventing the performance of such duties. Our offer is subject to the completion of background and reference checks and to the results of such checks being satisfactory to us. We request a response from you as soon as practicable, but no later than March 15, 2007.

Your starting salary will be two hundred and twenty thousand dollars ($220,000.00) per annum. In addition, Vion will pay a $15,000 hire bonus to you (subject to normal employment withholding taxes), to be paid over a three month period at $5,000 per month, beginning with your first paycheck following your start date. You are also eligible for an annual (12 month) performance bonus of up to 25% of base salary, subject to the approval of the Compensation Committee of the Board of Directors (the "Compensation Committee"), for which we will mutually agree on performance goals for your position. As a full-time employee of Vion Pharmaceuticals, you will be eligible for our standard benefits package, a summary of which is attached.

Management will recommend to the Compensation Committee that you be granted, at the next meeting of the Compensation Committee, 150,000 shares of restricted stock under the Company's 2005 Stock Incentive Plan. The terms and conditions of this restricted stock grant will be governed by the 2005 Stock Incentive Plan and an agreement which will be approved by the Compensation Committee. Your grant will provide for vesting of these shares at the earliest of FDA approval of Cloretazine® (VNP40101M), a change of control of Vion as defined in the Plan, or the last day of the month following two years of employment with Vion.

Your employment by Vion will be "at will". "At will" means that either you or Vion may terminate the employment relationship at any time for any reason. In no event shall your employment be construed as a contractual relationship between Vion and you, or guaranteeing employment for any specific period of time

As of your first day of employment, Vion will enter into an agreement with you pursuant to which you, as an officer of the Company, would be entitled to a lump sum severance if your employment were terminated due to a "change of control". Such a payment under these conditions would be equal to the sum of twelve (12) months of your monthly base salary in effect at the time of the date of termination plus the average of the last two cash bonus payments made to you prior to the change of control. Under this situation, you would also be entitled to continuation coverage of your group health insurance. The Company would also be responsible for paying on your behalf the monthly premium for such continuation coverage until the earlier of 18 months after such termination or the date you had obtained new full-time employment. Consistent with the Company's policies and in accordance with the agreements signed by all other Company employees, you will be required to execute and be bound by the terms of the Proprietary Information and Inventions Agreement. If you accept this offer, the terms described in this letter and in the Proprietary Information and Inventions Agreement, as well as all other employment policies of Vion, whether written or oral, shall be the terms of your employment. Any additions or modifications of these terms must be in writing and signed by you and Vion.

Jim, we are very enthusiastic about the prospect of having you join Vion, which we believe to be one of the more exciting young companies in the pharmaceutical industry. We believe that Vion's ability to succeed will become more certain if we can attract people of your quality and track record. If you are in agreement with the terms and accept this offer, please return a signed copy of this letter and the Proprietary Information and Inventions Agreement to me.

Sincerely yours,

/s/ Howard B. Johnson
Howard B. Johnson
President & CFO

Agreed to this 13th day of March, 2007 by /s/ James F. Tanguay
James F. Tanguay

EXHIBIT 31.1

CERTIFICATION

I, Alan Kessman, Chief Executive Officer of Vion Pharmaceuticals, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q (this "report") of Vion Pharmaceuticals, Inc. (the "registrant");

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ Alan Kessman
Alan Kessman
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION

I, Howard B. Johnson, Chief Financial Officer of Vion Pharmaceuticals, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q ("this report") of Vion Pharmaceuticals, Inc. (the "registrant");

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

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

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

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

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

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

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's first fiscal quarter) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 9, 2007

/s/ Howard B. Johnson
Howard B. Johnson
Chief Financial Officer

EXHIBIT 32.1

WRITTEN STATEMENT OF THE CHIEF EXECUTIVE OFFICER

Pursuant to 18 U.S.C. Section 1350, I, the undersigned Chief Executive Officer of Vion Pharmaceuticals, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2007

/s/ Alan Kessman
Alan Kessman
Chief Executive Officer

EXHIBIT 32.2

WRITTEN STATEMENT OF THE CHIEF FINANCIAL OFFICER

Pursuant to 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Vion Pharmaceuticals, Inc. (the "Company"), hereby certify that the Quarterly Report on Form 10-Q of the Company for the quarter ended March 31, 2007 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2007

/s/ Howard B. Johnson
Howard B. Johnson
Chief Financial Officer