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

FORM 10-Q

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

For the quarterly period ended September 30, 2006

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** (Address of principal executive offices)	**06511** (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 November 1, 2006 was 68,074,343.

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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)	September 30, 2006	December 31, 2005
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 36,187	$ 52,762
Accounts receivable	32	31
Prepaid expenses	105	195
Total current assets	36,324	52,988
Property and equipment, net	594	706
Security deposits	25	25
Total assets	$ 36,943	$ 53,719
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accrued expenses	$ 4,121	$ 3,305
Accounts payable	1,093	855
Accrued payroll and payroll-related expenses	555	560
Deferred revenue	18	18
Total current liabilities	5,787	4,738
Deferred revenue	328	342
Total liabilities	6,115	5,080
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: 68,074,343 and 66,177,892 shares at September 30, 2006 and December 31, 2005, respectively	681	662
Additional paid-in-capital	199,199	197,916
Deferred compensation	—	(133)
Deficit accumulated during the development stage	(169,052)	(149,806)
	30,828	48,639
Total liabilities and shareholders' equity	$ 36,943	$ 53,719

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 September 30, 2006	For the Three Months Ended September 30, 2005	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005	For the Period From May 1, 1994 (Inception) through September 30, 2006
Revenues:					
Technology license fees	$ 6	$ 6	$ 16	$ 17	$ 4,525
Research and laboratory support fees	—	—	—	1	5,932
Contract research grants	—	—	—	—	2,501
Total revenues	6	6	16	18	12,958
Operating expenses:					
Clinical trials	3,285	1,740	9,983	7,415	56,491
Other research and development	2,336	1,703	6,514	4,806	80,129
Total research and development	5,621	3,443	16,497	12,221	136,620
General and administrative	919	758	3,072	2,430	34,020
Marketing	297	—	1,188	—	1,188
Total operating expenses	6,837	4,201	20,757	14,651	171,828
Loss from operations	(6,831)	(4,195)	(20,741)	(14,633)	(158,870)
Interest income	502	494	1,560	1,289	8,808
Interest expense	—	—	—	—	(214)
Other income (expense), net	(3)	(16)	(31)	(10)	(153)
Loss before income taxes	(6,332)	(3,717)	(19,212)	(13,354)	(150,429)
Income tax provision (benefit)	10	10	34	32	(121)
Net loss	(6,342)	(3,727)	(19,246)	(13,386)	(150,308)
Preferred stock dividends and accretion	—	—	—	—	(18,489)
Loss applicable to common shareholders	$(6,342)	$(3,727)	$(19,246)	$(13,386)	$(168,797)
Loss applicable to common shareholders per share	$ (0.10)	$ (0.06)	$ (0.29)	$ (0.21)	
Weighted-average number of shares of common stock outstanding	66,231	65,983	66,167	64,866	

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	Deferred Compensation	Deficit Accumulated During the Development Stage	Total Shareholders' Equity
	Shares	Amount				
Balance at December 31, 2005	66,177,892	$662	$197,916	$(133)	$(149,806)	$ 48,639
Reversal of deferred compensation			(133)	133		—
Stock-based compensation expense			1,359			1,359
Restricted stock awards, net	1,783,425	19	(19)			—
Exercise of stock options	92,158	—	51			51
Issuances under employee benefit plan.	20,868		25			25
Net loss and comprehensive loss					(19,246)	(19,246)
Balance at September 30, 2006	68,074,343	$681	$199,199	$ —	$(169,052)	$ 30,828

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 Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005	For The Period From May 1, 1994 (Inception) through September 30, 2006
Cash flows from operating activities:			
Net loss	$(19,246)	$(13,386)	$(150,308)
Adjustments to reconcile net loss to net cash used in operating activities-			
Non-cash compensation	1,359	—	2,453
Depreciation and amortization	154	167	3,208
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	89	102	(136)
Other assets	—	—	(22)
Current liabilities	1,049	(1,102)	5,734
Deferred revenue	(14)	(14)	346
Net cash used in operating activities	(16,609)	(14,233)	(133,118)
Cash flows from investing activities:			
Acquisition of equipment	(42)	(272)	(2,870)
Purchases of marketable securities	—	—	(321,052)
Maturities of marketable securities	—	—	321,052
Net cash used in investing activities	(42)	(272)	(2,870)
Cash flows from financing activities:			
Initial public offering	—	—	9,696
Net proceeds from issuance of common stock	76	30,332	112,307
Net proceeds from issuance of preferred stock	—	—	20,716
Net proceeds from exercise of Class A Warrants	—	—	5,675
Net proceeds from exercise of Class B Warrants	—	—	17,538
Net proceeds from exercise of other warrants	—	—	7,456
Repayment of equipment capital leases	—	—	(927)
Other financing activities, net	—	—	(286)
Net cash provided by financing activities	76	30,332	172,175
Change in cash and cash equivalents	(16,575)	15,827	36,187
Cash and cash equivalents, beginning of period	52,762	41,729	—
Cash and cash equivalents, end of period	$ 36,187	$ 57,556	$ 36,187
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ —	$ —	$ 214
Cash paid for taxes	$ 57	$ 37	$ 124

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 accounting principles generally accepted in the United States for interim financial information and with the instructions to Form 10-Q. They do not include all of the information and footnotes required by accounting principles generally accepted in the United States 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, 2005 (File No. 000-26534).

3. Per Share Data – Anti-dilution

As of September 30, 2006, the Company had outstanding warrants to purchase 9,198,971 shares of its common stock at exercise prices between $2.20 and $3.25 per share and outstanding stock options to purchase 4,511,963 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 calculation presented.

4. Income Taxes

For the nine months ended September 30, 2006 and 2005, the Company recorded a provision of $34,000 and $32,000, respectively, for state capital taxes.

5. Stock-Based Compensation

On January 1, 2006, the Company adopted Statement of Financial Accounting Standards No. 123 (revised 2004), "*Share-Based Payment*" (SFAS 123R) that requires the recognition of expense related to the fair value of stock-based compensation in the Company's consolidated financial statements. Prior to the adoption of SFAS 123R, the Company accounted for stock-based compensation arrangements in accordance with the provisions of Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and provided pro forma disclosures required by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), as amended by Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation – Transition and Disclosure*" (SFAS 148). Under APB 25, no stock-based employee compensation cost is reflected in reported net loss when options granted to employees have an exercise price at least equal to the market value of the underlying common stock at the date of grant.

The Company adopted SFAS 123R using the modified prospective method. The Company's consolidated financial statements as of and for the nine-month period ended September 30, 2006 reflect the impact of adopting SFAS 123R. Stock-based compensation expense recognized for the nine-month period ended September 30, 2006 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, based on the grant-date fair value

estimated in accordance with SFAS 123R. Upon adoption of SFAS 123R, on January 1, 2006 the Company reversed the unrecognized deferred compensation costs associated with 2005 restricted stock awards of $133,000 with a corresponding reduction to the Company's additional paid-in capital. In accordance with the modified prospective method, the consolidated financial statements for prior periods have not been restated to reflect, and do not include, the impact of SFAS 123R.

Equity Compensation Plans

Stock Option Plans – The Company currently has stock options outstanding to purchase 4,511,963 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 options outstanding will continue to vest according to one of the following schedules: (i) in annual installments of 33-1/3% on each of the first, second and third anniversaries of the date of grant, or (ii) in annual installments of 25% on each of the first, second, third and fourth anniversaries of the date of grant. The maximum contractual term of all options is ten years.

2005 Stock Incentive Plan (2005 Plan) – The 2005 Plan provides for the issuance of up to 7,466,141 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.

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.

Option Grant-Date Fair Value

The Company uses the Black-Scholes option pricing model to calculate the grant-date fair value of an option award. There were no options granted during the first nine months of 2006 or for the three-month period ended September 30, 2005. The fair value of options granted during the nine-month period ended September 30, 2005 was calculated using the following estimated weighted-average assumptions:

	For the Nine Months Ended September 30, 2005
Options granted	76,000
Weighted-average exercise price	$ 2.26
Weighted-average grant date fair value	$ 1.24
Assumptions:	
Risk-free interest rate	3.87%
Expected volatility	55%
Expected term (in years)	5.82
Expected dividend yield	0%

Risk-free interest rate – The yield on the zero-coupon U.S. Treasury securities for a period that is commensurate with the expected term assumption is used as the risk-free interest rate.

Expected volatility – The Company is responsible for estimating volatility and has considered a number of factors when estimating volatility. The Company has used historical volatility to estimate the grant-date fair value of stock options. The Company believes that past stock price volatility is likely to be indicative of future stock price behavior.

Expected term – The Company uses historical employee exercise and option expiration data to estimate the expected term assumption for the Black-Scholes grant-date valuation. The Company believes that this historical data is currently the best estimate of the expected term of a new option and that generally all groups of employees exhibit similar exercise behavior.

Expected dividend yield – The Company has never paid dividends on its common stock. The Company currently intends to retain all future earnings for use in the operation of its business and does not anticipate paying cash dividends in the foreseeable future. Accordingly, the expected dividend yield assumption is 0%.

The amount of stock-based compensation recognized during a period is based on the value of the portion of the awards that vests during the period. SFAS 123R requires forfeitures to be considered in determining fair value and to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ significantly from those estimates. Forfeitures represent only the unvested portion of a surrendered option. The Company has applied an annual forfeiture rate of 0.44% to all unvested options as of September 30, 2006 based on an analysis of the Company's historical forfeitures. This forfeiture rate will be re-evaluated quarterly and adjusted as necessary. The actual expense recognized over the vesting period will only be for those shares that vest.

Expense

Beginning January 1, 2006, the Company has been recognizing compensation expense 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 recognized for the three-month and nine-month periods ended September 30, 2006 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. As stock-based compensation expense recognized is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. In the pro forma information required under SFAS 123 for the periods prior to 2006, the Company accounted for forfeitures as they occurred. The impact on previously reported pro forma disclosures under SFAS 123 is not material.

The following table shows the pro forma impact on net loss and loss applicable to common shareholders per share if the Company had applied the fair-value method under SFAS 123 to stock-based compensation for the three and nine months ended September 30, 2005:

	For the Three Months Ended September 30, 2005	For the Nine Months Ended September 30, 2005
Reported Net Loss	$(3,727)	$(13,386)
Add: Stock-based employee compensation expense included in reported net loss	—	—
Deduct: Stock-based employee compensation expense determined under the fair value based method for all awards	(415)	(1,316)
Pro forma net loss	$(4,142)	$(14,702)
Reported basic and diluted loss per share	$ (0.06)	$ (0.21)
Pro forma basic and diluted loss per share	$ (0.06)	$ (0.23)

The adoption of SFAS 123R on January 1, 2006 had the following impact on the operating results for the three and nine months ended September 30, 2006: net loss was increased by $413,000 and $1.4 million, respectively, and the basic and diluted loss per share was increased by $0.01 and $0.02, respectively.

Stock Option Activity

A summary of the activity under the Company's stock option plans as of and for the nine-month period ended September 30, 2006 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, 2006	4,932	$4.81		
Granted	—	—		
Exercised	(92)	$0.55		
Forfeited	(13)	$3.23		
Expired	(315)	$6.32		
Outstanding at September 30, 2006	4,512	$4.80	4.75	$3.70
Exercisable at September 30, 2006	4,055	$4.90	4.38	$3.83
Vested or expected to vest at September 30, 2006 (1)	4,510	$4.80	4.52	$3.70

(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.

During the nine months ended September 30, 2006, the total intrinsic value of options exercised (i.e. the difference between the market price at exercise and the price paid by the option holder to exercise the options) was $137,000 and the total amount of cash received from exercise of these options was $51,000. The total grant-date fair value of stock options that vested during the nine-month period ended September 30, 2006 was $458,000.

As of September 30, 2006, there was approximately $769,000 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

During the three and nine month periods ended September 30, 2006, the Company issued 93,333 and 1,866,758 shares of restricted stock, respectively, at a weighted-average fair value of $1.26 and $1.72 per share, respectively. In September 2006, the Company canceled 83,333 shares of restricted stock which resulted in the reversal of previously recorded compensation expense of $37,000 as the conditions for vesting were not met. The Company recorded net compensation expense for restricted stock of $279,000 and $870,000, respectively, for the three and nine-month periods ended September 30, 2006. As of September 30, 2006, there was $2.3 million of total unrecognized compensation cost related to unvested restricted stock awards. That cost is expected to be recognized throughout the period ending May 2009.

6. Related Party Transactions

Included in the Company's current liabilities at September 30, 2006, is $100,000 for a gift expensed in 2005 to fund research through March 31, 2007. The gift was made to a laboratory headed by one of the Company's directors, an affiliate of Yale. The remaining gift balance will be paid in two equal quarterly installments through the first quarter of 2007.

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 U.S. 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, 2005. The information contained in this Quarterly Report on Form 10-Q is believed to be current as of the date of filing with the U.S. 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:

- Phase I, Phase II and Phase III 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 Phase I clinical studies to be 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 and, if approved, conduct Phase I clinical studies of VNP40541;
- Continue to conduct internal product development studies with respect to our clinical products;
- 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 product development program for which we are seeking a development partner (TAPET®).

The following table provides information on clinical trials of Cloretazine® (VNP40101M) sponsored by us that were open for patient accrual as of November 1, 2006.

Product	Trial	Trial Commencement Date
Cloretazine® (VNP40101M)	Phase III trial in relapsed acute myelogenous leukemia in combination with Ara-C	March 2005
Cloretazine® (VNP40101M)	Phase II trial in elderly patients with *de novo* poor-risk acute myelogenous leukemia	May 2006
Cloretazine® (VNP40101M)	Phase II trial in small cell lung cancer	September 2005
Cloretazine® (VNP40101M)	Phase I trial in combination with temozolomide in patients with hematologic malignancies	October 2004

The NCI is also sponsoring Phase I and Phase II 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. The 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. 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 disease indications, the timing, the size and dosing schedule of each clinical trial, 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 in the evaluation of clinical trial results or in applying for or obtaining regulatory approvals. Significant delays could allow our competitors to bring products to market before we do and impair our ability to commercialize our product candidates. 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 enter into 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 U.S. Food and Drug Administration (FDA) to support an application for regulatory approval of the product.

We manufacture active pharmaceutical ingredient and finished drug product for all of our compounds through third-party contract manufacturing companies. We believe that we have sufficient available inventory of Cloretazine® (VNP40101M) to complete the clinical trials underway as well as additional planned trials. However, our agreement with the current manufacturer of finished drug product for Cloretazine® (VNP40101M) and Triapine® expires on March 31, 2007 unless extended by mutual agreement of both parties. We are negotiating to extend the term of the agreement until December 31, 2008, and expect that this extension will result in different pricing, terms and additional payments to the contract manufacturer. At the present time, we do not expect to be able to complete the extension of our current agreement prior to receipt of notice of non-renewal based on the terms

of the agreement. As an additional option, we are in discussions with an alternative third-party contract manufacturer of finished drug product to enter into a new supply agreement. We anticipate having either an extension of our current agreement, or a new agreement with the alternative manufacturer, executed by December 31, 2006. There can be no assurance that we will be able to extend our current agreement, or enter into an alternative agreement on a timely basis, or what the terms of such extension or new agreement might be. If we are not successful in extending our current agreement or engaging a new manufacturer by March 31, 2007, we may have to delay the initiation of additional trials of Cloretazine® (VNP40101M) and Triapine®, or the commercial launch of these products if and when they are approved.

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 product 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 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

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 financial statements due to recurring historical losses. Accordingly, we have provided a full valuation allowance for our deferred income tax asset as of September 30, 2006. In the event we were to determine that we would be able to realize deferred income tax assets in the future, an adjustment to reduce the valuation allowance in the period of determination.

Stock-Based Compensation Expense

During the first quarter of fiscal 2006, we adopted Statement of Financial Accounting Standard 123 (revised 2004), "*Share-Based Payment*", (SFAS 123R), using the modified prospective application method. Compensation cost is calculated on the date of grant using the fair value of the options as determined by the Black-Scholes valuation model. The Black-Scholes valuation model requires us to make several assumptions.

For the three and nine-month periods ended September 30, 2006, we recognized $413,000 and $1.4 million, respectively, of total stock-based compensation expense as a result of the adoption of SFAS 123R. The adoption of SFAS 123R increased basic and diluted loss applicable to common shareholders per share by $0.01 and $0.02 for the three and nine-month periods ended September 30, 2006, respectively. We expect the impact of the adoption of SFAS 123R on diluted EPS to be approximately $0.01 for the fourth quarter of 2006.

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. The adoption of SFAS 123R under the modified prospective application method required us to recognize compensation cost beginning on January 1, 2006 (i) based on the requirement of SFAS 123R for all share-based payments granted after January 1, 2006 and (ii) based on the requirements of SFAS 123 for all awards granted to employees prior to January 1, 2006 that remain unvested as of that date. 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.

As of September 30, 2006, the total compensation cost related to unvested awards of restricted stock and stock options not yet recognized in the statement of operations was approximately $3.1 million, which will be recognized throughout the period ending October 31, 2009.

See Note 5 to our Condensed Consolidated Financial Statements contained in Item 1 of this Quarterly Report on Form 10-Q for further information regarding our adoption of SFAS 123R.

Results of Operations

Comparison of the Three-Month Periods Ended September 30, 2006 and 2005

Revenues. Revenues from technology license fees were $6,000 for each of the three month periods ended September 30, 2006 and 2005. We have no material source of revenues.

Research and Development Expenses. Total research and development ("R&D") expenses were $5.6 million and $3.4 million for the three-month periods ended September 30, 2006 and 2005, respectively, as a result of higher clinical trials expenses of $1.5 million and higher other R&D

expenses of $633,000. The increase in clinical trials expenses was primarily due to higher costs for Cloretazine® (VNP40101M) trials of $602,000, higher Triapine® trials expense of $351,000, higher drug production costs of $357,000 and higher compensation costs of $162,000 related to the addition of new employees in our clinical development group and stock-based compensation expense. A portion of the increase in Cloretazine® (VNP40101M) and Triapine® clinical trials expenses was due to a reduction recorded in the third quarter of 2005 of $683,000 to the accrual for clinical trial costs as actual expenses for two trials were less than original estimates. 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, and stock-based compensation expense recorded in 2006 as a result of the adoption of SFAS 123R.

General and Administrative Expenses. General and administrative expenses were $919,000 for the three-month period ended September 30, 2006 as compared to $758,000 for the same period in 2005. The increase was primarily due to stock-based compensation expense recorded in 2006 as a result of the adoption of SFAS 123R.

Marketing Expenses. Marketing expenses were $297,000 for the three-month period ended September 30, 2006. There were no such expenses for the same period in 2005. During 2006, we began pre-launch commercialization activities for Cloretazine® (VNP40101M), which is in late-stage clinical development.

Interest Income. Interest income was $502,000 for the three months ended September 30, 2006, as compared to $494,000 for the same 2005 period. The increase was primarily due to higher interest rates partially offset by lower invested balances in 2006.

Other Income (Expense). Other expense was $3,000 for the three months ended September 30, 2006, as compared to $16,000 for the same 2005 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 each of the three month periods ended September 30, 2006 and 2005, a provision for state capital taxes of $10,000 was recorded.

Net Loss. As a result of the foregoing increases in expenses, the net loss was $6.3 million, or $0.10 per share based on weighted average shares outstanding of 66.2 million, for the three months ended September 30, 2006, compared to a net loss of $3.7 million, or $0.06 per share based on weighted average shares outstanding of 66.0 million, for the same 2005 period.

Comparison of the Nine-Month Periods Ended September 30, 2006 and 2005

Revenues. Revenues from technology license fees were $16,000 for the nine months ended September 30, 2006, compared to $18,000 of revenues from technology license fees and research and laboratory support fees for the same period in 2005. We have no material source of revenues.

Research and Development Expenses. Total research and development ("R&D") expenses were $16.5 million and $12.2 million for the nine-month periods ended September 30, 2006 and 2005, respectively, as a result of higher clinical trials expenses of $2.6 million and higher other R&D expenses of $1.7 million. The increase in clinical trials expenses was primarily due to higher costs for Cloretazine® (VNP40101M) trials of $1.7 million, higher Triapine® trials expense of $147,000, higher drug production costs of $134,000 and higher compensation costs of $524,000 related to the addition of new employees in our clinical development group, and stock-based compensation expense. A portion of the increase in Cloretazine® (VNP40101M) clinical trials expense and all of the increase in Triapine® clinical trials expenses were due to a reduction recorded in the third quarter of 2005 of $683,000 to the accrual for clinical trial costs as actual expenses for two trials were less than original estimates. 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, and stock-based compensation expense recorded in 2006 as a result of the adoption of SFAS 123R.

General and Administrative Expenses. General and administrative expenses were $3.1 million for the nine-month period ended September 30, 2006 as compared to $2.4 million for the same period in

2005. The increase was primarily due to stock-based compensation expense recorded in 2006 as a result of the adoption of SFAS 123R.

Marketing Expenses. Marketing expenses were $1.2 million for the nine-month period ended September 30, 2006. There were no such expenses for the same period in 2005. During 2006, we began pre-launch commercialization activities for Cloretazine® (VNP40101M), which is in late-stage clinical development.

Interest Income. Interest income was $1.6 million for the nine months ended September 30, 2006, as compared to $1.3 million for the same 2005 period. The increase was primarily due to higher interest rates partially offset by lower invested balances in 2006.

Other Income (Expense). Other expense was $31,000 for the nine months ended September 30, 2006, as compared to $10,000 for the same 2005 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 nine months ended September 30, 2006 and 2005, a provision for state capital taxes was recorded of $34,000 and $32,000, respectively.

Net Loss. As a result of the foregoing increases in expenses, the net loss was $19.2 million, or $0.29 per share based on weighted average shares outstanding of 66.2 million, for the nine months ended September 30, 2006, compared to a net loss of $13.4 million, or $0.21 per share based on weighted average shares outstanding of 64.9 million, for the same 2005 period.

Liquidity and Capital Resources

At September 30, 2006, we had cash and cash equivalents of $36.2 million compared to cash and cash equivalents of $52.8 million at December 31, 2005. The decrease in 2006 was due primarily to cash used of $16.6 million to fund operating activities. 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 decreased $89,000 and $102,000 during the nine months ended September 30, 2006 and 2005, respectively. The decreases in 2006 and 2005 were primarily due to lower prepaid insurance expense as the timing of insurance premium payments differs from the recognition of insurance expense.

Current liabilities increased $1.0 million during the nine-month period ended September 30, 2006 compared to a decrease of $1.1 million for the same 2005 period. The increase in 2006 was primarily due to higher level of accounts payable and accruals for higher clinical and preclinical development costs. The decrease in 2005 was the result of a reduction of $683,000 in the accrual for clinical trial costs as actual expenses for two clinical trials were less than original estimates, as well as the timing of payments to clinical vendors differing from the recognition of clinical trials expenses.

Cash Used in Investing Activities

Cash used in investing activities relates to the acquisition of capital equipment. Capital expenditures of $42,000 and $272,000 for the nine months ended September 30, 2006 and 2005, respectively, were primarily for lab equipment, computer software and computer hardware. Capital expenditures for fiscal 2006 are not expected to exceed $200,000.

Cash Provided by Financing Activities

Cash provided by financing activities is primarily related to capital raised and proceeds from common stock issuances under our employee stock plans. For the nine months ended

September 30, 2006, we received proceeds of $76,000 from the issuance of 113,026 shares of our common stock under employee stock plans. For the nine months ended September 30, 2005, we received a total of $30.3 million consisting of net proceeds of $30.2 million from a registered direct offering of 10 million shares of our common stock at $3.25 per share in January 2005 and proceeds of $137,000 from the issuance of 122,913 shares of our common stock under employee stock plans.

All proceeds from sales of our common stock are being and will be used to fund clinical and preclinical product development activities, and for working capital and general corporate purposes.

Future Cash Requirements

Based on our current operating plan, we estimate that our existing cash and cash equivalents totaling $36.2 million at September 30, 2006 will be sufficient to fund our operations through the fourth quarter of 2007. We expect to receive notice from the third-party contract manufacturer of finished drug product for Cloretazine® (VNP40101M) and Triapine® that our supply agreement with them will terminate on March 31, 2007. We are negotiating to extend the term of the agreement which may result in different pricing and payment terms and additional payments to the contract manufacturer. As an additional option, we are in discussions with an alternative third-party contract manufacturer of finished drug product to enter into a new supply agreement. Depending on the results of the discussions to extend our current agreement, or our effort to enter into an agreement with a new manufacturer, we may need to increase our expenditures for product manufacturing in 2007. As such, our current operating plan and cash requirements may vary materially from the foregoing due to the potential renegotiation of our current supply agreement and/or moving production to an alternate manufacturer, in addition 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.

We will need to raise substantial capital to complete our product development and clinical trials and to fund operations beyond 2007, 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

During the first nine months of 2006, there were no significant changes in our reported payments due under contractual obligations and disclosed contingent contractual obligations at December 31, 2005.

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 charter of the Audit 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 September 30, 2006 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 September 30, 2006. 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, 2005, 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 6. ***Exhibits***

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

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: November 9, 2006

VION PHARMACEUTICALS, INC

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

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 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent 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 registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 9, 2006

/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 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 quarterly 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and

   d) Disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent 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 registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: November 9, 2006

/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 September 30, 2006 (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: November 9, 2006

/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 September 30, 2006 (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: November 9, 2006

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