

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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:
In re: : Chapter 11
:
VION PHARMACEUTICALS, INC.,¹ : Case No. 09-14429 (CSS)
:
Debtor. : **Hearing date: January 20, 2010 at 3:00 p.m. (ET)**
: **Objections Deadline: January 12, 2010 at 4:00 p.m. (ET)**
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NOTICE OF APPLICATION

PLEASE TAKE NOTICE that, on December 30, 2009, the above-captioned debtor and debtor-in-possession (the “Debtor”) filed the *Debtor and Debtor-in-Possession’s Application for an Order Pursuant to §§ 327(a), 328 and 1107 of the Bankruptcy Code and Rule 2014 of the Bankruptcy Rules Authorizing the Employment of Roth Capital Partners, LLC as Financial Advisor to the Debtor Nunc Pro Tunc to the Petition Date and Waiving Certain Reporting Requirements Pursuant to Delaware Local Rules 2016-2* (the “Application”) with the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801 (the “Bankruptcy Court”).

PLEASE TAKE FURTHER NOTICE that any responses or objections to the Application must be in writing, filed with the Clerk of the Bankruptcy Court, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801, and served upon and received by the undersigned proposed counsel at a date on or before **4:00 p.m. on January 12, 2010 (EST)**.

PLEASE TAKE FURTHER NOTICE that if any objections or responses are received, a hearing with respect to the Motion will be held on **January 20, 2010 at 3:00 p.m. (EST)** before The Honorable Christopher S. Sontchi at the United States Bankruptcy Court, 824

¹ The Debtor in this case, along with the last four digits of the federal tax identification number for the Debtor, is Vion Pharmaceuticals, Inc. (1221). The Debtor’s corporate offices are located at 4 Science Park, New Haven, Connecticut 06511.

Market Street, 5th Floor, Courtroom #6, Wilmington, Delaware 19801.

**IF NO OBJECTIONS TO THE MOTION ARE TIMELY FILED, SERVED,
AND RECEIVED IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY
GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT FURTHER
NOTICE OR HEARING.**

Dated: December 30, 2009
Wilmington, Delaware

Respectfully submitted,



John H. Knight, Esq. (No. 3848)
Christopher M. Samis (No. 4909)
Julie A. Finocchiaro, Esq. (No. 5303)
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*Proposed Attorneys for the Debtor and
Debtor in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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VION PHARMACEUTICALS, INC., : Case No. 09-14429 (CSS)
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**DEBTOR AND DEBTOR-IN-POSSESSION’S APPLICATION FOR AN
ORDER PURSUANT TO §§ 327(a), 328 AND 1107 OF THE
BANKRUPTCY CODE AND RULE 2014 OF THE BANKRUPTCY
RULES AUTHORIZING THE EMPLOYMENT OF ROTH CAPITAL PARTNERS, LLC
AS FINANCIAL ADVISOR TO THE DEBTOR *NUNC PRO TUNC*
TO THE PETITION DATE AND WAIVING CERTAIN REPORTING
REQUIREMENTS PURSUANT TO DELAWARE LOCAL RULE 2016-2**

Vion Pharmaceuticals, Inc., as debtor and debtor-in-possession (the “Debtor”), hereby files this application (the “Application”) seeking (i) authority to employ and retain Roth Capital Partners, LLC (“Roth Capital”), as financial advisor to the Debtor in the above-captioned chapter 11 case, *nunc pro tunc* to the Petition Date (defined herein) and (ii) waiving certain reporting requirements pursuant to Delaware Local Rule 2016-2, and in support thereof, the Debtor respectfully represents as follows:

JURISDICTION

1. The Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334. This matter is a core proceeding within the meaning of 28 U.S.C. § 157(b)(2). Venue is proper pursuant to 28 U.S.C. §§ 1408 and 1409.

¹ The Debtor in this case, along with the last four digits of the federal tax identification number for the Debtor, is Vion Pharmaceuticals, Inc. (1221). The Debtor’s corporate offices are located at 4 Science Park, New Haven, Connecticut 06511.

2. The statutory bases for the relief requested herein are §§ 327(a) and 328(a) of title 11 of the United States Code (the “Bankruptcy Code”), Rules 2014 and 2016 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”), and Rules 2014-1 and 2016-1 of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the “Local Rules”).

BACKGROUND

3. On December 17, 2009 (the “Petition Date”), the Debtor filed its voluntary petition for relief under chapter 11 of the Bankruptcy Code.

4. The Debtor continues to operate its business and manage its property as a debtor-in-possession pursuant to §§ 1107(a) and 1108 of the Bankruptcy Code.

5. No request for appointment of a chapter 11 trustee or examiner has been made, and, as of the date hereof, no official committee has been appointed.

6. A description of the Debtor’s corporate structure and business and the events leading to this chapter 11 case are set forth in the Declaration of Alan Kessman in Support of Chapter 11 Petition and First Day Pleadings filed on the Petition Date (as the same may be supplemented or amended from time to time, the “Kessman Declaration”), which is incorporated herein by reference and shall constitute, in part, the evidentiary support for the Application.²

RELIEF REQUESTED

7. The Debtor seeks the entry of an order substantially in the form attached hereto as **Exhibit A** authorizing the employment and retention of Roth Capital as financial advisor to the Debtor, *nunc pro tunc* to the Petition Date, pursuant to the terms of that certain engagement

² Capitalized terms not defined herein shall have the meaning ascribed in the Kessman Declaration.

letter, dated December 11, 2009, between Roth Capital and the Debtor (the "Engagement Letter"), a copy of which is attached hereto as Exhibit C.

BASIS FOR RELIEF REQUESTED

8. The Debtor brings this Application because of its pressing need to retain an investment banking and financial advisory services firm to assist it in the critical tasks associated with analyzing and implementing alternatives and strategies associated with the Debtor's efforts to sell its assets and/or otherwise reorganize. The Debtor, therefore, proposes to retain and employ Roth Capital as financial advisor in this chapter 11 case pursuant to § 327(a) of the Bankruptcy Code.

9. Section 327 provides in relevant part: "the trustee, with the court's approval, may employ one or more attorneys . . . that do not hold or represent an interest adverse to the estate, and that are disinterested persons, to represent or assist the trustee in carrying out the trustee's duties under this title." 11 U.S.C. § 327(a).

10. Bankruptcy Code § 328(a) provides, in relevant part, as follows:

The trustee . . . with the court's approval, may employ or authorize the employment of a professional person under § 327. . . of this title . . . on any reasonable terms and conditions of employment, including on a retainer, on an hourly basis, on a fixed or percentage basis, or on a contingent fee basis. Notwithstanding such terms and conditions, the court may allow compensation different from the compensation provided under such terms and conditions after the conclusion of such employment, if such terms and conditions prove to have been improvident in light of developments not capable of being anticipated at the time of the fixing of such terms and conditions.

11 U.S.C. § 328(a).

11. Bankruptcy Code § 1107(b) provides, in relevant part, that "[n]otwithstanding section 327(a) of this title, a person is not disqualified for employment under section 327 of this

title by a debtor in possession solely because of such person's employment by or representation of the debtor before the commencement of the case." 11 U.S.C. § 1107(b).

SCOPE OF SERVICES

12. The services of Roth Capital are necessary and essential to enable the Debtor to execute faithfully its duties as a debtor-in-possession. Subject to the control and further order of this Court, Roth Capital will render various services to the Debtor, as set forth in the Engagement Letter, including the following professional services:

- 1) Sale Advisory Services. Roth Capital will advise and assist the Debtor with respect to (i) identifying potential acquirers and evaluating, prioritizing, and negotiating proposals to sell (including, if applicable, by auction) the Debtor, in whole or in part by purchase, merger, including a reverse merger, consolidation and other business combinations involving all or a substantial amount of the business, securities, and/or assets of the Company (a "Sale Transaction"). Roth Capital will assess the proposed structures for the Sale Transaction(s) and will offer the Company guidance in negotiating the terms of the Sale Transaction(s). Roth Capital will assist the Debtor in managing the process and closing the Sale Transaction(s), including formulating and presenting responses and counteroffers, conducting due diligence, and documenting the Sale Transaction(s).
- 2) Restructuring Advisory Services. Roth Capital will advise the Debtor with respect to restructuring options, which may include a restructuring, reorganization or a recapitalization of the Debtor's 7.75% convertible senior notes due 2012 (the "Restructuring," with each Restructuring or Sale Transaction being a "Transaction"). Roth Capital will also provide advisory services in connection with a liquidation and winding up of the Debtor that does not involve a Sale Transaction.
- 3) Fairness Opinion. At the written request of the Debtor, Roth Capital will render a fairness opinion to the Company's Board of Directors in conjunction with the Transaction.

13. Since the filing of this case, the Debtor has submitted applications to employ Fulbright & Jaworski L.L.P. and Richards, Layton & Finger, P.A. as bankruptcy counsel. Each of these firms work under the direction of the Debtor's management. The Debtor is committed to minimizing any duplication of services. To that end, Roth Capital is prepared to work closely with each professional to ensure that there is no duplication of effort or cost.

QUALIFICATIONS OF ROTH CAPITAL

14. Roth Capital is a nationally recognized small-cap investment banking and financial advisory services firm with offices in California, Massachusetts, New York, Pennsylvania, Florida and Oregon. Roth Capital provides investment banking and financial advisory services and execution capabilities in a variety of areas, including asset sales and financial restructuring. Roth Capital's professionals involved with this engagement are experienced in advising troubled and insolvent companies in evaluating strategic alternatives and affecting sales of divisions or entire businesses.

15. The Debtor seeks to retain Roth Capital because of the Debtor's recent experience with Roth Capital, and in particular because of its experience with two of Roth Capital's principals, John W. Chambers and Michael A. Margolis, who joined Roth Capital from the Debtor's previous strategic adviser, Merriman Curhan Ford & Co., and because of their experience in advising troubled and bankrupt companies relating to strategic business and capital reorganizations and affecting whole-business and asset sales. In addition, in connection with their recent engagement by the Debtor, Messrs. Chambers and Margolis have become familiar with the Debtor's business and affairs and the potential market for financing and/or acquisition of the Debtor or its non-cash assets, making their new firm, Roth Capital, both well qualified and uniquely able to represent the Debtor.

16. The Debtors wish to retain Roth Capital to provide assistance during this case. The terms of the Engagement Letter were negotiated at arms' length between the Debtor and Roth Capital and reflect the Debtor's evaluation of the extensive work to be performed by Roth Capital and its financial advisory team.

ROTH CAPITAL IS A DISINTERESTED PARTY

17. To the best of the Debtor's knowledge, and except as set forth herein and as otherwise disclosed in the Declaration of John Chambers executed on December 30, 2009 (the "Chambers Declaration"), annexed hereto as **Exhibit B**, Roth Capital has not been employed by, and does not have any connection with, the Debtor, its creditors, equity security holders, any other parties-in-interest in any matters relating to the Debtor or its estate, the Debtor's respective attorneys and accountants, the United States Trustee for the District of Delaware, or any person employed by the office of the United States Trustee for the District of Delaware in this Chapter 11 proceeding.

18. To the best of the Debtor's knowledge, and as disclosed in the Chambers Declaration, Roth Capital does not hold or represent any interest adverse to the Debtor or its estate, Roth Capital is a "disinterested person" as that phrase is defined in § 101(14) of the Bankruptcy Code, as modified by § 1107(b) of the Bankruptcy Code, and Roth Capital's employment and retention is necessary and in the best interests of the Debtor and its estate.

19. The proposed employment of Roth Capital is not prohibited by or improper under Bankruptcy Rule 5002.

20. Roth Capital will periodically review its files during the pendency of this chapter 11 case to ensure that no conflicts or other disqualifying circumstances exist or arise. If any new relevant facts or relationships are discovered or arise, Roth Capital will use reasonable efforts to identify such further developments and will promptly file a supplemental declaration, as required by Bankruptcy Rule 2014(a).

PROFESSIONAL COMPENSATION

21. The terms of Roth Capital's proposed compensation are fully set forth in the Engagement Letter, and the Debtor respectfully refers this Court to the same for a full recitation of such terms.

22. The Roth Capital fee is composed of three (3), and potentially (4) components: (i) expenses; (ii) advisory fee; (iii) performance-based compensation, and to the extent applicable, (iv) fee related to preparation of a fairness opinion. Below is a summary of the compensation structure negotiated with Roth Capital.

23. Expenses. The Debtor has agreed to reimburse Roth Capital's reasonable out-of-pocket expenses, including legal expenses, not to exceed \$25,000 in the aggregate, incurred in connection with its rendering of the services contemplated hereby; out-of-pocket expenses in excess of the limit must be approved in advance by the Debtor.

24. Advisory Fee. The Debtor has paid Roth Capital \$50,000 and seeks to pay to Roth Capital an additional \$25,000 per month as an advisory fee commencing ninety (90) days from the date of the Engagement Letter (such additional monthly \$25,000 fees, the "Bankruptcy Fees"), subject to approval by the Court.

25. Performance-Based Compensation. The Debtor further agreed to pay to Roth Capital success fees as follows no later than thirty (30) days following the closing of the applicable transaction:

- i. Sale Transaction other than a reverse merger: the greater of (x) 4% of the Transaction Value (as defined in Appendix A to the Engagement Letter), minus \$100,000 or (y) \$200,000;
- ii. Reverse merger: \$200,000; and
- iii. Restructuring: \$150,000.

26. No success fees shall be payable in respect of a liquidation and winding up or bankruptcy that does not also involve any of the above-described transaction types. In the event there are multiple transactions, any success fees already paid will reduce the amount payable in respect of subsequent success fees. For example, if Roth Capital is paid \$150,000 in respect of a restructuring and such restructuring is followed by a reverse merger, the amount payable in respect of such reverse merger would only be \$50,000.

27. The success fee(s) payable hereunder shall be further reduced by (x) \$150,000, if the Debtor pays Roth Capital to render an opinion as described below, and/or, if applicable, (y) the aggregate amount of Bankruptcy Fees paid by the Company.

28. Fairness Opinion. And finally, in the event that the Debtor's Board of Directors requests in writing that an opinion be rendered in connection with a Transaction, Roth Capital will receive a fee of \$150,000 for rendering such opinion. One-half of the opinion fee shall be paid to Roth Capital together with the written request for the opinion by the Debtor, and the balance shall be paid upon Roth Capital's delivery of the opinion.

29. The Debtor hereby seeks the Court's approval of its compensation and reimbursement of Roth Capital's actual, necessary expenses and other charges as set forth in the Engagement Letter upon Roth Capital's filing of appropriate applications for interim and final compensation and reimbursement pursuant to §§ 327 and 328 of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and any orders of the Court.

30. Moreover, the Debtor respectfully requests that by deviating from the standard hourly-based fee compensation structure set forth in Local Rule 2016-2 in lieu of the compensation structure proposed herein, that the information requirements set forth in Local Rule 2016-2 be modified and waived as necessary to comport with such fee structure, and in

particular, that Roth Capital and its professionals shall only be required to maintain time records for services rendered postpetition in half-hour increments. The Debtor is not, however, seeking modification of, and Roth Capital shall comply with, the requirements relating to reimbursement of ordinary expenses set forth in Local Rule 2016 2(e).

31. The Debtor and Roth Capital recognize that any compensation shall be subject to the Court's final approval and shall be in compliance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, guidelines established by the Office of the United States Trustee for the District of Delaware, and any other applicable procedures and orders of the Court. Roth Capital shall set forth in its interim and final applications for compensation and reimbursement descriptions of the services rendered by each Roth Capital professional in half-hour increments and will include an itemized list of expenses for which reimbursement is sought. Notwithstanding the requested modification of Local Rule 2016-2 to eliminate the hourly based billing requirement, these descriptions will provide adequate ability to review and evaluate the services provided by Roth Capital's professionals and the compensation requested from the Debtor's estate from Roth Capital.

32. Roth Capital's requested compensation in this case is consistent with and typical of arrangements entered into by Roth Capital and other comparable firms in connection with the rendering of similar services under similar circumstances. These rates and the rate structure reflect that such restructuring and other complex matters are typically national in scope and involve great complexity, high stakes, and severe time pressures.

33. Roth Capital has no agreement to share with any person or firm the compensation to be paid for professional services rendered in connection with this case.

NOTICE

34. No trustee or examiner has been appointed in the Debtor's chapter 11 case. Notice of this Application will be given to, among others, (i) the United States Trustee for the District of Delaware; (ii) the Debtor's twenty (20) largest unsecured creditors; and (iii) all parties-in-interest who have requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested herein, the Debtor submits that no other or further notice is required.

WHEREFORE, the Debtor respectfully requests that this Court, pursuant to §§ 327(a), 328 and 1107 of the Bankruptcy Code, Rule 2014 of the Bankruptcy Rules and Rule 2016-2 of the Local Rules, enter an order, substantially in the form attached hereto as Exhibit A, authorizing the employment of Roth Capital as financial advisor and management consultant to the Debtor under the terms contained in the Engagement Letter, *nunc pro tunc*, to the Petition Date and granting relief under Local Rule 2016-2 and such other and further relief the Court deems just and proper.

Dated: December 30, 2009
New Haven, Connecticut



By: Alan Kessman
Title: Chief Executive Officer,
Vion Pharmaceuticals, Inc.
4 Science Park
New Haven, Connecticut 06511

For the Debtor and Debtor-in-Possession

EXHIBIT A

Bankruptcy Code; and notice of the Application being sufficient; and sufficient cause appearing therefor; it is hereby:

ORDERED that the Application is approved; and it is further

ORDERED that, pursuant to § 327(a) and 328(a) of the Bankruptcy Code, the Debtor is authorized to employ and retain Roth Capital *nunc pro tunc* to the Petition Date to serve as the Debtor's financial advisor in the above-captioned case in accordance with the terms and conditions set forth in the Engagement Letter; and it is further

ORDERED that Roth Capital shall be compensated and reimbursed pursuant to section 328(a) of the Bankruptcy Code and the Debtor is authorized to pay and reimburse Roth Capital in accordance with the terms and conditions and at the times specified in the Engagement Letter; and it is further

ORDERED that Roth Capital shall file interim and final fee applications for approval of its compensation and expenses in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, and such other procedures as may be fixed by order of this Court; and it is further

ORDERED that notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court or any guidelines regarding submission and approval of fee applications, in light of services to be provided by Roth Capital, and the structure of Roth Capital's compensation pursuant to the Engagement Letter, Roth Capital and its professionals shall be granted a limited waiver of the information requirements set forth in Local Rule 2016-2; and it is further

ORDERED that notwithstanding anything to the contrary in the Bankruptcy Code, the Bankruptcy Rules, the Local Rules, orders of this Court or any guidelines regarding

submission and approval of fee applications, in light of services to be provided by Roth Capital, and the structure of Roth Capital's compensation pursuant to the Engagement Letter, Roth Capital and its professionals shall be granted a limited waiver of the hourly-based billing and information requirements set forth in Local Rule 2016-2, and Roth Capital and its professionals shall only be required to maintain time records for services rendered postpetition in half-hour increments; and it is further

ORDERED that Roth Capital shall not, however, be entitled to contribution or reimbursement pursuant to the Engagement Letter for services or expenses, unless such contribution or reimbursement are approved by the Court, and it is further

ORDERED that the indemnification obligations of the Debtor appended to the Engagement Letter, which is attached as Exhibit C to the Application, is approved, subject during the pendency of this chapter 11 case to the following:

- a. Roth Capital shall not be entitled to indemnification, contribution or reimbursement pursuant to the Agreement for services, unless such services and the indemnification, contribution or reimbursement therefor are approved by the Court;
- b. The Debtor shall have no obligation to indemnify Roth Capital, or provide contribution or reimbursement to Roth Capital, for any claim or expense that is either: (i) judicially determined (the determination having become final) to have arisen from Roth Capital's gross negligence, willful misconduct, breach of fiduciary duty, if any, bad faith or self-dealing; (ii) for a contractual dispute in which the Debtor alleges the breach of Roth Capital's contractual obligations unless the Court determines that indemnification, contribution or reimbursement would be permissible pursuant to In re United Artists Theatre Company, et al., 315 F.3d 217 (3d Cir. 2003); or (iii) settled prior to a judicial determination as to Roth Capital's gross negligence, willful misconduct, breach of fiduciary duty, or bad faith or self-dealing but determined by this Court, after notice and a hearing to be a claim or expense for which Roth Capital should not receive indemnity, contribution or reimbursement under the terms of the Agreement as modified by this Order;
- c. If, before the earlier of (i) the entry of an order confirming a chapter 11 plan in this case (that order having become a final order no longer subject to appeal), and (ii) the entry of an order closing this Chapter 11 case, Roth Capital believes that it

is entitled to the payment of any amounts by the Debtor on account of the Debtor's indemnification, contribution and/or reimbursement obligations under the Agreement (as modified by this Order), including without limitation the advancement of defense costs, Roth Capital must file an application therefore in this Court, and the Debtor may not pay any such amounts to Roth Capital before the entry of an order by this Court approving the payment. This subparagraph (c) is intended only to specify the period of time under which the Court shall have jurisdiction over any request for fees and expenses by Roth Capital for indemnification, contribution or reimbursement, and not a provision limiting the duration of the Debtor's obligation to indemnify Roth Capital. All parties in interest shall retain the right to object to any demand by Roth Capital for indemnification, contribution or reimbursement; and

- d. Any limitation of liability or limitation on any amounts to be contributed by the parties to the Agreement under the terms of the Agreement shall be eliminated.

ORDERED that to the extent that there may be any inconsistency between the terms of the Application, the Engagement Letter and this Order, the terms of this Order shall govern; and it is further

ORDERED that this Court shall retain jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: _____, 2010
Wilmington, Delaware

Honorable Christopher S. Sontchi
United States Bankruptcy Judge

EXHIBIT B

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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In re: : Chapter 11
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VION PHARMACEUTICALS, INC., : Case No. 09-14429 (CSS)
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Debtor.¹ : Hearing date: January 20, 2010 at 3:00 p.m. (ET)
: : Objections due: January 12, 2010 at 4:00 p.m. (ET)
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**DECLARATION OF JOHN CHAMBERS IN SUPPORT OF
THE DEBTOR AND DEBTOR-IN-POSSESSION'S APPLICATION
FOR AN ORDER PURSUANT TO §§ 327(A), 328 AND 1107 OF
THE BANKRUPTCY CODE AND RULE 2014 OF THE BANKRUPTCY
RULES AUTHORIZING THE EMPLOYMENT OF ROTH CAPITAL PARTNERS, LLC
AS FINANCIAL ADVISOR TO THE DEBTOR *NUNC PRO TUNC*
TO THE PETITION DATE AND WAIVING CERTAIN REPORTING
REQUIREMENTS PURSUANT TO DELAWARE LOCAL RULE 2016-2**

I, John Chambers, under penalty of perjury, declare as follows:

1. I am a Managing Director in the firm of Roth Capital Partners, LLC ("Roth Capital"), located at 24 Corporate Plaza, Newport Beach, California 92660. I submit this declaration in support of the application (the "Application")² of Vion Pharmaceuticals, Inc. (the "Debtor") for entry of an order authorizing the Debtor to retain and employ Roth Capital as its financial advisor *nunc pro tunc* to the Petition Date, pursuant to §§ 327(a) and 328 of title 11 of the United States Code (the "Bankruptcy Code"), rule 2014(a) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and rule 2016-2 of the Local Rules of Bankruptcy Practice and Procedure for the United States Bankruptcy Court for the District of

¹ The Debtor in this case, along with the last four digits of the federal tax identification number for the Debtor, is Vion Pharmaceuticals, Inc. (1221). The Debtor's corporate offices are located at 4 Science Park, New Haven, Connecticut 06511.

² All capitalized terms used but otherwise not defined herein shall have the meanings set forth in the Application.

Delaware (the “Local Rules”). Except as otherwise noted, I have personal knowledge of the matters set forth herein. To the extent that any information disclosed herein requires amendment or modification upon Roth Capital’s completion of further analysis or as additional information becomes available to it, a supplemental declaration will be submitted to this Court.

Professional Qualifications

2. Roth Capital is a full service investment banking firm dedicated to the small-cap public market. Since its inception, Roth Capital has been an innovator in its market and has raised over \$10.6 billion for small-cap public companies and completed over 150 merger, acquisition and advisory assignments. Roth Capital provides equity research, brokerage and trading services primarily to institutions, as well as investment banking and advisory services to corporate clients. Roth Capital's professionals involved with this engagement have been active in advising distressed companies, including companies operating in the healthcare industry.

3. Roth Capital is well qualified to assist the Debtor as its financial advisor. The Debtor seeks to retain Roth Capital because of the Debtor’s recent experience with Roth Capital, and in particular because of its experience with two of Roth Capital’s principals, John W. Chambers and Michael A. Margolis, who joined Roth Capital from the Debtor’s previous strategic adviser, Merriman Curhan Ford & Co., and because of their experience in advising troubled and bankrupt companies relating to strategic business and capital reorganizations and affecting whole-business and asset sales. Prior to the Petition Date, in connection with Roth Capital’s efforts to refinance Debtor’s financial obligations and market its assets, Messrs. Chambers and Margolis worked closely with the Debtor’s management, internal staff, and other professionals and are familiar with the books, records, financial information, and other data maintained by the Debtor.

4. Roth Capital will render services to the Debtor as needed throughout the course of this chapter 11 case as described in the Engagement Letter and the Application. Roth Capital's services as financial advisor do not duplicate the services provided to the Debtor by any of the Debtor's other professionals. Roth Capital will undertake to work with the Debtor and its other professionals to make every reasonable effort to avoid duplication between Roth Capital's services and the services provided by any other professionals employed by the Debtor.

5. The Debtor believes that the services of Roth Capital are necessary to enable the Debtor to maximize the value of its estate and to reorganize successfully. Further, Roth Capital is well qualified and able to represent the Debtor in a cost-effective, efficient and timely manner.

Services to Be Provided

6. The Debtor retained Roth Capital pursuant to the terms of that certain engagement letter, dated as of December 11, 2009, by and among the Debtor and Roth Capital (the "Engagement Letter"), a copy of which is attached as **Exhibit C** to the Application. Pursuant to the Engagement Letter, the Debtor retained Roth Capital to, without limitation, assist the Debtor with potential restructuring of its liabilities and recapitalization. Roth Capital has rendered and/or will continue to render the following professional services to the Debtor, upon approval by the Court:

1) **Sale Advisory Services**. Roth Capital will advise and assist the Debtor with respect to (i) identifying potential acquirers and evaluating, prioritizing, and negotiating proposals to sell (including, if applicable, by auction) the Debtor, in whole or in part by purchase, merger, including a reverse merger, consolidation and other business combinations involving all or a substantial amount of the business, securities, and/or assets of the Company (a "Sale Transaction"). Roth Capital will assess the proposed structures for the Sale Transaction(s) and will offer the Company guidance in negotiating the terms of the Sale Transaction(s). Roth Capital will assist the Debtor in managing the process and closing the Sale Transaction(s), including formulating and presenting responses and counteroffers, conducting due diligence, and documenting the Sale Transaction(s).

2) Restructuring Advisory Services. Roth Capital will advise the Debtor with respect to restructuring options, which may include a restructuring, reorganization or a recapitalization of the Debtor's 7.75% convertible senior notes due 2012 (the "Restructuring," with each Restructuring or Sale Transaction being a "Transaction"). Roth Capital will also provide advisory services in connection with a liquidation and winding up of the Debtor that does not involve a Sale Transaction.

3) Fairness Opinion. At the written request of the Debtor, Roth Capital will render a fairness opinion to the Company's Board of Directors in conjunction with the Transaction.

Professional Compensation during the Chapter 11 Case

7. The compensation structure described below is consistent with Roth Capital's normal and customary billing practices for engagements of this size and complexity, and reflects the difficulty of the extensive assignments Roth Capital expects to undertake. Roth Capital's fee structure is equivalent to the corresponding fee structure predominantly used by Roth Capital for restructuring, workout, bankruptcy, insolvency and comparable matters, as well as similar complex corporate, securities and litigation matters whether in court or otherwise, regardless of whether a fee application is required. This rate structure reflects that restructuring and other complex matters are typically national in scope and involve great intricacy, high stakes and severe time pressures. The Debtor believes that the foregoing compensation arrangement is (a) reasonable, (b) market-based and (c) merited by Roth Capital's extensive knowledge and experience, and its successful provision of financial advisory services to other troubled companies.

8. Pursuant to the terms and conditions of the Engagement Letter, and subject to the Court's approval, by the Debtor's Application, Roth Capital seeks approval to deviate from the standard hourly-based fee compensation structure set forth in Local Rule 2016-2, and instead intends to seek compensation as follows:

9. Expenses. Roth Capital will seek reimbursement of reasonable out-of-pocket expenses, including legal expenses, not to exceed \$25,000 in the aggregate, incurred in connection with its rendering of the services contemplated hereby; out-of-pocket expenses in excess of the limit must be approved in advance by the Debtor. It is Roth Capital's policy to charge its clients in all areas of practice for identifiable, non-overhead expenses incurred in connection with the Debtor that would not have been incurred except for representation of that particular client. It is also Roth Capital's policy to charge its clients only the amount actually incurred by Roth Capital in connection with such items. Examples of such expenses include postage, overnight mail, courier delivery, transportation, overtime expenses, computer assisted legal research, photocopying, airfare, meals and lodging.

10. Advisory Fee. As an advisory fee, Roth Capital seeks, in addition to the \$50,000 already paid by the Debtor and provided that no notice of termination of the Engagement Letter shall have been given, payments of \$25,000 per month commencing ninety (90) days from the date of the Engagement (such additional fees, the "Bankruptcy Fees").

11. Performance-Based Compensation. As a success fee, Roth Capital seeks payment as follows no later than thirty (30) days following the closing of an applicable transaction:

i. Sale Transaction other than a reverse merger: the greater of (x) 4% of the Transaction Value (as defined in Appendix A to the Engagement Letter), minus \$100,000 or (y) \$200,000;

ii. Reverse merger: \$200,000; and

iii. Restructuring: \$150,000.

12. No success fees shall be payable in respect of a liquidation and winding up or bankruptcy that does not also involve any of the above-described transaction types. In the event

there are multiple transactions, any success fees already paid will reduce the amount payable in respect of subsequent success fees. For example, if Roth Capital is paid \$150,000 in respect of a Restructuring and such restructuring is followed by a reverse merger, the amount payable in respect of such reverse merger would only be \$50,000.

13. The success fee(s) shall be further reduced by (x) \$150,000, if the Debtor pays Roth Capital to render an opinion as described below, and/or, if applicable, (y) the aggregate amount of Bankruptcy Fees paid by the Company.

14. Fairness Opinion. And finally, in the event that the Debtor's Board of Directors requests in writing that an opinion be rendered in connection with a Transaction, Roth Capital seeks payment of a fee of \$150,000 for rendering such opinion. One-half of the opinion fee shall be paid to Roth Capital together with the written request for the opinion by the Debtor, and the balance shall be paid upon Roth Capital's delivery of the opinion.

15. Roth Capital will file interim and final fee applications for the allowance of compensation for services rendered and reimbursement of expenses incurred in accordance with applicable provisions of the Bankruptcy Code, the Bankruptcy Rules, the Local Rules and any applicable orders of this Court.³ Therein, Roth Capital will set forth a description of the services rendered by each professional and will include an itemized list of expenses for which reimbursement is sought. I believe that these descriptions will provide adequate ability to review and evaluate the services provided by our professionals and the compensation requested from the Debtor's estate from Roth Capital. Accordingly, to the extent necessary based on the foregoing, Roth Capital respectfully requests that the information requirements set forth in Local Rule 2016-2 be modified and waived.

³ Including, but not limited to, the requirements set forth in Local Rule 2016-2(e).

Roth Capital's Disinterestedness

16. In connection with the preparation of this Declaration, in order to ensure compliance with the requirements of the Bankruptcy Code and the Bankruptcy Rules regarding the retention of professionals by the Debtor, I directed that a list (the "Conflicts Checklist") of (i) entities affiliated with or related to the Debtor, (ii) professionals retained by the Debtor in this chapter 11 proceeding, (iii) key creditors of the Debtor and (iv) certain other parties-in-interest in this chapter 11 case be submitted to an internal computer database containing names of individuals and entities that are present or recent former clients of Roth Capital. The Conflicts Checklist is attached hereto as Appendix I to this Declaration. A summary of such relationships that Roth Capital identified during this process is set forth and described on Appendix II to this Declaration.

17. Roth Capital confirms it is not providing and will not provide services to any of the parties that are listed on Appendix I that are adverse to the Debtor on issues related to or connected to the Debtor's bankruptcy. Further, we are not providing and will not provide services to the Debtor that would be adverse to any of the entities listed on Appendix II. None of the relationships with the entities listed on Appendix II, will compromise in any way Roth Capital's ability independently to serve as the Debtor's financial advisor.

18. Roth Capital has provided and likely will continue to provide services unrelated to the Debtor's case for the various entities shown on Appendix II. Our assistance to these parties has been primarily related to financial advisory and/or other consulting services. To the best of my knowledge, no services have been provided to these creditors or other parties in interest, which could impact their rights in the Debtor's case, nor does Roth Capital's involvement in this case compromise its ability to continue such financial advisory and/or other consulting services.

19. Further, as part of its diverse practice, Roth Capital appears in numerous cases, proceedings and transactions that involve many different professionals, including attorneys, accountants and financial consultants, who may represent claimants and parties-in-interest in the Debtor's chapter 11 case. Roth Capital has performed in the past, and may perform in the future financial advisory and/or other consulting services for various attorneys and law firms in the legal community and/or their clients, and has been represented by several attorneys and law firms in the legal community, some of whom may be involved in these proceedings. In addition, Roth Capital has in the past, may currently and will likely in the future be working with or against other professionals involved in this case in matters unrelated to the Debtor and this case. Based on our current knowledge of the professionals involved, and to the best of my knowledge, none of these business relationships create interests materially adverse to the Debtor herein in matters upon which Roth Capital is to be employed, and none are in connection with this case.

20. Despite the efforts described above to identify and disclose Roth Capital's connections with Interested Parties, because of the Debtor's numerous creditors and other relationships, Roth Capital is unable to state with certainty that every client relationship or other connection has been disclosed. In this regard, if Roth Capital discovers additional information that requires disclosure, Roth Capital will file a supplemental disclosure with the Court as promptly as possible.

21. Roth Capital does not believe it is a "creditor" with respect to fees and expenses of the Debtor within the meaning of § 101 (10) of the Bankruptcy Code.

22. Further, to the best of my knowledge and except as otherwise indicated herein, Roth Capital does not have any connection with, the Debtor, its creditors, equity security holders, any other parties-in-interest in any matters relating to the Debtor or its estate, the Debtor's

respective attorneys and accountants, the United States Trustee for the District of Delaware, or any person employed by the office of the United States Trustee for the District of Delaware in this Chapter 11 proceeding.

23. The proposed engagement of Roth Capital is not prohibited by or improper under Bankruptcy Rule 5002.

24. As such, to the best of my knowledge, if engaged, Roth Capital will be a “disinterested person” as that term is defined in § 101(14) of the Bankruptcy Code, as modified by § 1107(b) of the Bankruptcy Code, in that Roth Capital:

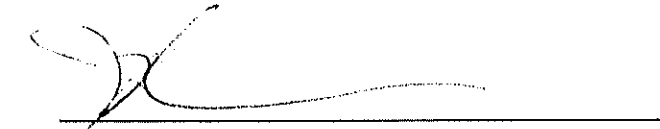
- a. is not a creditor, equity security holder, or insiders of the Debtor;
- b. is not and was not, within two years before the date of the filing of the Debtor’s chapter 11 petition, a director, officer, or employee of the Debtor; and
- c. does not have an interest materially adverse to the interest of the estate or of any class of creditors or equity security holders, by reason of any direct or indirect relationship to, connection with, or interest in, the Debtor, or for any other reason.

25. In addition, to the best of my knowledge and based upon the results of the relationship search described above and disclosed herein, Roth Capital neither holds nor represents an interest adverse to the Debtor within the meaning of § 327(a) of the Bankruptcy Code.

26. It is Roth Capital’s policy and intent to update and expand its ongoing relationship search for additional parties in interest in an expedient manner. If any new material facts or relationships are discovered or arise, Roth Capital will promptly file a supplemental declaration pursuant to Bankruptcy Rule 2014(a).

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Dated: December 30, 2009



John Chambers
Managing Director
Roth Capital Partners, LLC

APPENDIX I TO DECLARATION OF JOHN CHAMBERS

Conflicts Checklist

Debtor

Vion Pharmaceuticals, Inc.

Debtor's Non-Debtor Affiliates

Vion Australia PTY LTD

Vion (UK) Limited

Debtor's 5% Shareholders

Bruce & Co., Inc.¹

Debtor's Significant Equity Investors

None in excess of one percent (1%) other than officers of the Company.

Current Directors and Officers of the Debtor and for three years prior to the Petition Date

Current Directors

William R. Miller, Chairman of the Board

Alan Kessman, Chief Executive Officer and Director

George Bickerstaff, Director

Kevin Rakin, Director

Alan C. Sartorelli, Ph.D., Director and Chairman of Vion's Scientific Advisory Board

Ian Williams, D. Phil., Director

Gary Willis, Director

Current Officers

Alan Kessman, Chief Executive Officer and Director

Howard B. Johnson, President and Chief Financial Officer

Ann Lee Cahill, Vice President, Clinical Development

Ivan King, Ph.D., Vice President, Research and Development

Karen Schmedlin, Vice President, Finance and Chief Accounting Officer

James Tanguay, Ph.D., Vice President, Chemistry, Manufacturing & Controls

Former Directors and Officers of Debtor for the Three Years Prior to the Petition Date

Stephen K. Carter, M.D., Director

Aileen Ryan, Vice President Regulatory Affairs

¹ Bruce & Co., Inc. is the investment manager for Bruce Ford, Inc. and other clients, a holder of the Debtor's 7.75% Convertible Senior Notes due 2012; the holding corresponds to the beneficial ownership of 781,017 shares of common stock, consisting of 132,580 shares of Common Stock and 648,437 shares of Common Stock underlying convertible senior notes.

Meghan Fitzgerald, Vice President Business Development
Tanya Lewis, Vice President Regulatory and Quality Assurance
William Hahne, Vice President Medical

Current Directors and Officers of Debtor's Affiliates

Alan Kessman, Director of each Affiliate
Ann Lee Cahill, Director of each Affiliate
Karen Schmedlin, Director and Secretary of each Affiliate
Kevin Fahey, Director of Australian subsidiary only
No Officers.

Former Directors and Officers of Affiliates for the Two Years Prior to the Petition Date

None.

Debtor's Litigants

None.

Debtor's Banks and Money Market Funds

UBS Financial Services Inc.
Citibank N.A.

Debtor's Significant Customers

None.

Debtor's Landlord

Science Park Development Corporation

Counterparties to Debtor's Significant Contracts²

ABC Laboratories
Achillion Pharmaceuticals, Inc.
Almac Clinical Services
Anthem BCBS
AON Risk Services
AON Risk Services North East Inc.
Bowne Of New York City
Mellon Trust of New England
CRT Capital Group LLC
CIBC World Markets Corp.
Covance Laboratories
Leerink Swann & Company
Science Park Development Corporation
Yale University
Beijing Pason Pharmaceuticals, Inc.
HOVON, Stichting Haemoto Oncologie voor Volwassenen
i3 Research
MDS Pharma Services
Weill Medical College
Northwestern University
Paoli Calmettes Institute
MetLife and Annuity Company of CT
Jacob A. Melnick
Division of Cancer Treatment and Diagnosis, National Cancer Institute
BenVenue Laboratories, Inc.
Sigma Aldrich Fine Chemicals, Inc.

Debtor's Noteholders and Trustee

Trustee

U.S. Bank, N.A.

Noteholders³

Bruce & Co., Inc.

Lazard Asset Management

HighBridge Capital

Principal Global Investors, L.L.C./Edge Asset

² Excludes management parties to employment-related agreements. Such management personnel are listed under the caption Officers, above. Note certain names are included under this heading and are repeated in the top 30 creditor list.

³ Names listed are believed to be holders of the Debtor's 7.75% Convertible Senior Notes. Notes are held through DTC participant names and not through the names of beneficial holders.

U.S. Trust, Bank of America Private Wealth Management
Pine River Capital Management
Baker Brothers Investments
Professional Life & Casualty
Huntington National Bank
Goldman Sachs & Co.
BNP Cooper Neff
Tang Capital
Deutsche Bank AG
Hammerman Capital
Iroquois Capital Partners, L.L.C
Castle Creek Partners, LLC

Debtor's 5% Beneficial Owner Bondholder
Bruce & Co., Inc.

Top 30 Unsecured Creditors

Almac Clinical Services, Inc.
Aimee Altemus
Jessica Anderson
Christopher Carter
CHU Hopitaux de Bordeaux
Michael Belcourt
Jason DeGoes
Dana-Farber Cancer Institute
Tracey Douglass
Jing Du
Duke University Medical Center
Pamela Esposito
John Feeney
William Hahne
Hovon Centraal Bureau
INC Research Netherlands B.V.
IngeniX division i3
Institut Paoli-Calmettes
Verena Karsten
Xu Kevin Lin
MDS Pharma Services (US) Inc.
Colette Muenzen
Ala Nassar
Kurt Roinestad
Sarah Cannon Research Institute
UCLA Division of Hematology-Oncology Office of Clinical Trials
University of Texas (MD Anderson)
U.S. Bank, N.A., as Indenture Trustee for the Debtor's 7.75% Convertible Senior Notes
Weill Medical College of Cornell University

Yale University School of Medicine

Debtor's Proposed Professionals

Abacus Benefits Consultants
Checkpoint HR LLC
Coleman, Sudol, Sapone P.C.
Cooper Grace Ward
Ernst & Young LLP
Law Office of Albert Wai-Kit Chan, LLC
R.K. Hills
Roth Capital Partners, LLC
Richards, Layton & Finger, P.A.
Simmons and Simmons
Tanya Lewis & Company, LLC
UHY Advisors NE, LLC
UHY International
Wiggin and Dana LLP
Walker System Support

Utilities

The United Illuminating Company
Avaya, Inc.
Avaya Financial Services
A T & T
A T & T Mobility
Comcast
MegaPath Inc.
Walker Solutions, Inc.

Debtor's Insurers

Axis Insurance Co.
Chicago Underwriting Group, Inc.
CNA
Federal Insurance Company
Gerling
Old Republic Insurance Co.
Illinois National Insurance Company
Vigilant Insurance Company

Debtor's Group Benefit Insurer

AC Newman & Co
Anthem BCBS
Guardian
Metropolitan Life

Security Mutual Life Insurance
UNUM Life Insurance Co. of America

Governmental Authorities

Environmental Protection Agency
Federal Aviation Administration
Food and Drug Administration
Nuclear Regulatory Agency
Securities Exchange Commission

Taxing Authorities

Internal Revenue Service
Delaware Division of Revenue
City of New Haven, Connecticut
Connecticut Department of Revenue Services

Debtor's Major Competitors⁴

Amgen Inc.
Antisoma PLC
AstraZeneca PLC
Genzyme Corporation
Biogen Idec
Bristol-Myers Squibb Company
Celgene Corporation
Cephalon
Chiron Corporation
Cyclacel Pharmaceuticals, Inc.
Eli Lilly and Co
ImClone Systems Inc.
Eisai, Inc.
Genentech Inc.
Genzyme Corporation
Glaxo Smith Kline (Potential Competitor of Debtor)
Johnson & Johnson
Lorus Therapeutics Inc.
Novartis
OSI Pharmaceuticals, Inc.
Otsuka
Pfizer Inc.
Roche
Sanofi Aventis
Seattle Genetics

⁴ Names listed have publicly announced their intention to develop anti-cancer drugs. The Debtor does not have any products available for sale.

Schering-Plough Corporation
Takeda
Wyeth
Xanthus Pharmaceuticals, Inc.

Other Potential Parties in Interest

Almac Clinical Services LTD
Bruce Ford, Inc.
Karen Buccini
Cardiff University
Cleveland Clinic Foundation
Clinsys, Inc.
Dennis Dingee
Dolores Fabian
Francis J. Giles
INC Research Inc.
Johns Hopkins University
New York Medical College
Northwestern University Office for Sponsored Research
Prologue Research Intel Inc.
Regents of University of Minnesota
St. Francis Hospital & Health Centers
University Hospitals of Cleveland
Xcenda, LLC

Directors' Current Public Directorships/Affiliations

CRT Investment Banking LLC (Bickerstaff)
CRT Capital Group LLC (Bickerstaff)
BMP Sunstone Corp. (Bickerstaff)
Ipsogen S.A. (Rakin)
Advanced BioHealing, Inc. (Rakin)
Canaan Partners (Rakin)
Connecticut United for Research Excellence (CURE) (Rakin)
Yale University School of Medicine (Sartorelli)
Yale University (Sartorelli)
Plug Power, Inc. (Willis)
Rofin Sinar Technologies, Inc. (Willis)
Zygo Corp. (Willis)

U.S. Trustee

Bonnie Anemone (Paralegal Specialist)
David Buchbinder (Trial Attorney)
Diane Giordano (Bankruptcy Analyst)
Christine Green (Paralegal Specialist)

William K. Harrington (Assistant United States Trustee)
Heck, Jeffrey (Bankruptcy Analyst)
Mark Kenney (Trial Attorney)
David Klauder (Trial Attorney)
Jane Leamy (Trial Attorney)
Joseph McMahon (Trial Attorney)
Office of the U.S. Trustee
James R. O'Malley (Bankruptcy Analyst)
Lauren O'Neal (OA Assistant)
Michael Panacio (Bankruptcy Analyst)
Richard Schepacarter (Trial Attorney)
Thomas Patrick Tinker (Trial Attorney)
Ramona Vinson (OA Assistant)
Michael West (Bankruptcy Analyst)
Shakima L. Williams (Paralegal Specialist)
Dion Wynn (Paralegal Specialist)

APPENDIX II TO DECLARATION OF JOHN CHAMBERS

Based on a search run on December 18, 2009, in addition to the work performed for the Debtor, Roth Capital: (a) currently performs or has previously performed services as described in the John Chambers Declaration in matters unrelated to the Debtor's chapter 11 case, to the individuals or entities disclosed in the annexed chart; and (b) has other relationships with such entities as follows:

Vion Conflict Check: ROTH Capital Partners

Name of Entity	Relationship to Debtor	Relationship to Roth Capital
Achillion Pharmaceuticals	Counterparties to Debtor's significant contracts	Professionals of ROTH Capital Partners have advised the company in the past, in matters unrelated to Vion
HighBridge Capital	Debtor's Bondholders and Trustee	Professionals of ROTH Capital Partners have executed securities transactions with the fund in the past, in matters unrelated to Vion
Baker Brothers	Debtor's Bondholders and Trustee	Professionals of ROTH Capital Partners have executed securities transactions with the fund in the past, in matters unrelated to Vion
Iroquois Capital	Debtor's Bondholders and Trustee	Professionals of ROTH Capital Partners have executed securities transactions with the fund in the past, in matters unrelated to Vion. A ROTH Capital professional is a limited partner in this fund and was previously employed with the fund. He does not exert control over the fund and is not involved in ROTH Capital Partner's engagement with Vion.
Tang Capital	Debtor's Bondholders and Trustee	Professionals of ROTH Capital Partners have executed securities transactions with the fund in the past, in matters unrelated to Vion
Merriman Curhan Ford & Co.	Debtor's Proposed Professionals	Professionals of ROTH Capital Partners who are handling this engagement were previously employed by Merriman
Genzyme Corporation	Debtor's Major Competitors	Professionals of ROTH Capital Partners have advised the company in the past, in matters unrelated to Vion
Celgene Corporation	Debtor's Major Competitors	Professionals of ROTH Capital Partners have advised the company in the past, in matters unrelated to Vion
Cephalon	Debtor's Major Competitors	Professionals of ROTH Capital Partners have advised the company in the past, in matters unrelated to Vion
Chiron Corporation	Debtor's Major Competitors	Professionals of ROTH Capital Partners have advised the company in the past, in matters unrelated to Vion
Cyclacel Pharmaceuticals, Inc.	Debtor's Major Competitors	Professionals of ROTH Capital Partners have advised the company in the past, in matters unrelated to Vion
Novartis	Debtor's Major Competitors	Professional of ROTH Capital Partners was previously employed by Novartis, and worked on matters unrelated to Vion
Eli Lilly and Co.	Debtor's Major Competitors	Professional of ROTH Capital Partners was previously employed by Eli Lilly, and worked on matters unrelated to Vion
Ernst & Young	Debtor's Proposed Professionals	Ernst & Young is a co-defendant with ROTH Capital Partners in an ongoing litigation, and was involved with ROTH as its auditor in the past, unrelated to Vion.

EXHIBIT C



December 11, 2009

STRICTLY CONFIDENTIAL

Howard B. Johnson
President and CFO
Vion Pharmaceuticals, Inc.
4 Science Park
New Haven, CT 06511

RE: Engagement Agreement

Dear Mr. Johnson:

We are pleased to submit this letter of agreement (the "Agreement") which confirms the understanding between Vion Pharmaceuticals, Inc. ("Vion" or the "Company") and Roth Capital Partners, LLC ("Roth"), with respect to the services described below. This letter agreement sets forth our agreement with respect to the matters set forth herein.

1. Scope of Services

In connection with this engagement, Roth will perform one or more of the following services:

- (a) Sale Advisory Services. Roth will advise and assist the Company with respect to (i) identifying potential acquirers and evaluating, prioritizing, and negotiating proposals to sell (including, if applicable, by auction) the Company, in whole or in part by purchase, merger, including a reverse merger, consolidation and other business combinations involving all or a substantial amount of the business, securities, and/or assets of the Company (a "Sale Transaction"). Roth will assess the proposed structures for the Sale Transaction(s) and will offer the Company guidance in negotiating the terms of the Sale Transaction(s). Roth will assist the Company in managing the process and closing the Sale Transaction(s), including formulating and presenting responses and counteroffers, conducting due diligence, and documenting the Sale Transaction(s).
- (b) Restructuring Advisory Services. Roth will advise the Company with respect to restructuring options, which may include a restructuring, reorganization or a recapitalization of the Company's 7.75% convertible senior notes due 2012 (a "Restructuring," with each Restructuring or Sale Transaction being a "Transaction"). Roth will also provide advisory services in connection with a liquidation and winding up of the Company that does not involve a Sale Transaction.
- (c) Bankruptcy Services. In the event the Company files for bankruptcy protection pursuant to Chapter 11 of the U.S. Bankruptcy Code, at any time during the term of the engagement hereunder, subject to the approval of the Bankruptcy Court, Roth will continue to provide all

services hereunder and render advisory services in respect of the bankruptcy process, which services shall include providing written affidavits as may customarily be required in support of the various filings in such proceeding.

- (d) Fairness Opinion. At the written request of the Company, Roth will render a fairness opinion (an "Opinion") to the Company's Board of Directors in conjunction with the Transaction.

The Company understands that Roth will not be responsible for rendering legal, accounting or tax advice and agrees to retain its own legal counsel and accountants concerning any necessary legal, accounting and tax matters.

2. Retention

The Company hereby retains Roth as the Company's exclusive financial advisor in connection with the potential Transactions, subject to Section 6 hereof, for a six-month period (the "Engagement Period") commencing on the date hereof.

3. Compensation for Services

In exchange for the services provided to the Company by Roth, the Company shall pay to Roth investment banking fees and reimburse Roth for expenses as follows:

- (i) Expenses. The Company agrees to reimburse Roth's reasonable out-of-pocket expenses, including legal expenses, not to exceed \$25,000 in the aggregate, incurred in connection with its rendering of the services contemplated hereby; any such out-of-pocket expenses in excess of the limit must be approved in advance by the Company.
- (ii) Advisory Fee. Promptly after the execution and delivery of this letter agreement, the Company shall pay to Roth \$50,000. Subject to any court approvals required, and provided that no notice of termination of this letter agreement shall have been given, if Roth renders services subsequent to a filing by the Company pursuant to Chapter 11 of the U.S. Bankruptcy Code, the Company shall pay to Roth an additional \$25,000 per month commencing upon the later of ninety (90) days from the date hereof or the filing of such bankruptcy proceeding (such additional fees, the "Bankruptcy Fees").
- (iii) Performance-Based Compensation. In addition to the advisory fees described in Section 5(b) above, the Company shall pay to Roth success fees as follows no later than thirty (30) days following the closing of the applicable transaction:
 - a. Sale Transaction other than a reverse merger: the greater of (x) 4% of the Transaction Value (as defined in Exhibit II) minus \$100,000 or (y) \$200,000;

b. Reverse merger: \$200,000; and

c. Restructuring: \$150,000.

No success fees shall be payable in respect of a liquidation and winding up or bankruptcy that does not also involve any of the above described transaction types. In the event there are multiple transactions any success fees already paid will reduce the amount payable in respect of subsequent success fees. For example, if Roth is paid \$150,000 in respect of a Restructuring and such restructuring is followed by a reverse merger, the amount payable in respect of such reverse merger would only be \$50,000. The success fee(s) payable hereunder shall be further reduced by (x) \$150,000, if the Company pays Roth to render an Opinion as described in Section 5(d) below, and/or, if applicable, (y) the aggregate amount of Bankruptcy Fees paid by the Company.

- (iv) Fairness Opinion. In the event that the Company's Board of Directors requests in writing that an Opinion be rendered in connection with a Transaction, Roth will receive a fee of \$150,000 for rendering such Opinion. This fee is for our investment banking services related to the Opinion and is in no way conditioned upon the results of our evaluation and analysis or upon the conclusions reached in the Opinion. One-half of the Opinion fee shall be paid to Roth together with the written request for the Opinion by the Company and the balance shall be paid upon Roth's delivery of the Opinion.

4: Covenants of the Company

The Company agrees as follows:

- (a) This Agreement is duly authorized and validly executed and delivered by the Company, and constitutes a legal, valid and binding agreement of the Company.
- (b) In connection with Roth's activities hereunder, the Company agrees to prepare and furnish Roth with all information concerning the Company and its business, prospects, operations, and financial results and condition as Roth reasonably deems appropriate or as may be considered material to any third party involved in a Transaction. In addition, the Company agrees to provide Roth with reasonable access to the Company's accountants, attorneys, consultants and other appropriate agents and representatives. The Company acknowledges that Roth may rely upon the completeness and accuracy of information and data furnished to it by the Company's officers, directors, employees, agents and representatives without an independent verification of such information and data or an appraisal of the Company's assets.

5. Confidentiality

Roth agrees that it will not disclose to any person, other than to potential parties to a Transaction and any agents, attorneys, accountants, employees, officers, and directors thereof and of Roth who in each case need to know such information in connection with Roth's engagement hereunder and who are similarly bound to confidentiality, any confidential and non-public information relating to the Company that Roth receives from the Company or its agents, attorneys or accountants in connection with the services rendered hereunder. Except in the case of any disclosures required to be made in a Bankruptcy proceeding, or as may otherwise be provided herein, any advice offered by Roth hereunder shall not be disclosed publicly in any manner without Roth's prior written approval and will be treated by the Company and Roth as confidential. Subject to the foregoing, Roth's advice is not intended for, and should not be relied upon by, other third parties. The Company also agrees that any reference to Roth in any news release or other communication to any party outside the Company is subject to Roth's prior written approval, which approval shall not be unreasonably withheld or delayed. If Roth resigns or is terminated prior to any release or communication, no reference shall be made therein to Roth without its prior written permission. Notwithstanding the foregoing sentences set forth in this Section 5, (i) Roth consents to a description of and the inclusion of the text of its Fairness Opinion in any filing required to be made by the Company with the U.S. Securities and Exchange Commission in connection with a Transaction and in materials delivered to the Company's shareholders (it being understood that Roth shall provide to the Company on a timely basis a description of its Fairness Opinion that complies with the requirements of Item 1015 of Regulation M-A promulgated under the Securities Act of 1933, as amended), (ii) both parties acknowledge that the obligations set forth herein shall not apply where disclosure is required by any federal or state law, rule or regulation or any decision or order of any court or regulatory authority; provided that in such case the disclosing party shall provide adequate notice of any such required disclosures to the other party in order to allow the other party to seek a protective or other appropriate order and (iii) upon execution of the letter agreement, the Company will issue a press release announcing its retention of Roth. This Section 5 shall survive the termination of this Agreement.

6. Term of Engagement

Our representation will continue for a period of six (6) months from the date first set forth above; however, either party may terminate the relationship at any time upon thirty days written notice to the other party, and provided further that if either John W. Chambers or Michael A. Margolis should cease being actively involved in this engagement (such event being a "Key Man Event"), the Company shall have the right to terminate the relationship with immediate effect by written notice to Roth. Except in the case of an early termination by Roth or by the Company for a Key Man Event, Roth will be entitled to the success fee(s) described in Section 3 (but subject to the limitations therein), if during the six (6) month period after the termination or expiration of Roth's engagement hereunder the Company enters into a Transaction with any of the potential acquirers that (i) were referred to the Company directly by Roth or (ii) engaged in discussions regarding a

Transaction with the Company or Roth during the period that Roth acted as the Company's exclusive financial advisor under this agreement

7. Compliance with Applicable Law

In connection with this engagement, the Company and Roth will comply with all applicable federal, state and foreign securities laws and other applicable laws.

8. Advertisements

The Company agrees that Roth shall have the right to place advertisements of this engagement in financial and other newspapers and journals, at its own expense and after public announcement by the Company of a Transaction, subject to the Company's prior approval of any such advertisement, which approval shall not be unreasonably withheld.

9. Governing Law and Arbitration

This agreement shall be governed by and construed under the laws of the State of New York applicable to contracts made and to be performed entirely within the State of New York. Any dispute, claim or controversy arising out of or relating to this agreement or the breach, termination, enforcement, interpretation or validity thereof, including the determination of the scope or applicability of this agreement to arbitrate, shall be determined by binding arbitration in the City and County of New York, before one arbitrator. The arbitration shall be administered by JAMS. Judgment on the award may be entered in any court having jurisdiction. This clause shall not preclude parties from seeking provisional remedies in aid of arbitration from a court of appropriate jurisdiction. Each Party will bear its own costs for arbitration, except that the prevailing party in arbitration shall be entitled to reasonable attorneys' fees. The provisions of this Section 9 shall survive any termination of this agreement.

10. Severability

Any determination that any provision of this Agreement may be, or is, unenforceable shall not affect the enforceability of the remainder of this Agreement.

11. Counterparts

This Agreement may be executed simultaneously in two or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same instrument.

12. Third Party Beneficiaries

This Agreement has been and is made solely for the benefit of the Company, Roth and the other Indemnified Persons referred to in Section 15 below and their respective successors and assigns, and no other person shall acquire or have any rights under or by virtue of this Agreement.

13. Independent Contractor

Roth is and at all times during the term hereof will remain an independent contractor, and nothing contained in this letter agreement will create the relationship of employer and employee or principal and agent as between the Company and Roth or any of its employees. Without limiting the generality of the foregoing, all final decisions with respect to matters about which Roth has provided services hereunder shall be solely those of the Company. Roth shall have no authority to bind the Company in any respect.

14. Indemnification

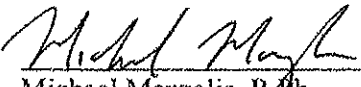
The Company agrees to indemnify Roth as set forth in Exhibit I attached hereto. The indemnification provisions set forth in Exhibit I shall remain operative and in full force and effect regardless of termination or expiration of this Agreement, or the consummation of any Transaction.

15. Succession

This Agreement shall be binding upon and inure to the benefit of the Company, Roth, the Indemnified Persons and their respective successors, assigns, heirs and personal representatives.

If the foregoing terms correctly set forth our Agreement, please confirm this by signing and returning to Roth the duplicate copy of this letter. Thereupon this letter, as signed in counterpart, shall constitute our Agreement on the subject matter herein.


ROTH CAPITAL PARTNERS, LLC

By: 

Michael Margolis, R.Ph.
Managing Director

Confirmed and Agreed to this 11th day of December 2009.

VION PHARMACEUTICALS, INC

By: 

Howard Johnson
President and CFO

EXHIBIT I

Indemnification Provisions

The Company agrees to indemnify and hold harmless Roth and its affiliates (as defined in Rule 405 under the Securities Act of 1933, as amended) and their respective directors, officers, employees, agents and controlling persons (Roth and each such person being an "Indemnified Party") from and against all losses, claims, damages and liabilities (or actions, including shareholder actions, in respect thereof), joint or several, to which such Indemnified Party may become subject under any applicable federal or state law, or otherwise, which are related to or result from the performance by Roth of the services contemplated by or the engagement of Roth pursuant to this Agreement and will promptly reimburse any Indemnified Party for all reasonable expenses (including reasonable counsel fees and expenses) as they are incurred in connection with the investigation of, preparation for or defense arising from any threatened or pending claim, whether or not such Indemnified Party is a party and whether or not such claim, action or proceeding is initiated or brought by the Company. The Company will not be liable to any Indemnified Party under the foregoing indemnification and reimbursement provisions (i) for any settlement by an Indemnified Party effected without its prior written consent (not to be unreasonably withheld); or (ii) to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment by an arbitrator or court of competent jurisdiction to have resulted primarily from the Company's willful misconduct or gross negligence. The Company also agrees that no Indemnified Party shall have any liability (whether direct or indirect, in contract or tort or otherwise) to the Company or its security holders or creditors related to or arising out of the engagement of Roth pursuant to, or the performance by Roth of the services contemplated by, this Agreement except to the extent that any loss, claim, damage or liability is found in a final, non-appealable judgment an arbitrator or by a court of competent jurisdiction to have resulted primarily from Roth's willful misconduct or gross negligence.

Promptly after receipt by an Indemnified Party of notice of any intention or threat to commence an action, suit or proceeding or notice of the commencement of any action, suit or proceeding, such Indemnified Party will, if a claim in respect thereof is to be made against the Company pursuant hereto, promptly notify the Company in writing of the same. Any failure or delay by an Indemnified Party to give the notice referred to in this paragraph shall not affect such Indemnified Party's right to be indemnified hereunder, except to the extent that such failure or delay causes actual harm to the Company, or prejudices its ability to defend such action, suit or proceeding on behalf of such Indemnified Party. In case any such action is brought against any Indemnified Party and such Indemnified Party notifies the Company of the commencement thereof, the Company may elect to assume the defense thereof, with counsel reasonably satisfactory to such Indemnified Party, and an Indemnified Party may employ counsel to participate in the defense of any such action provided, that the employment of such counsel shall be at the Indemnified Party's own expense, unless (i) the employment of such counsel has been authorized in writing by the Company, (ii) the Indemnified Party has reasonably concluded (based upon advice of counsel to the Indemnified Party) that there are legal defenses available to the Indemnification Party that are not available to the Company, or that there exists a conflict or potential conflict of interest (based upon advice of counsel to the Indemnified Party) between the Indemnified Party and the Company that makes it impossible or inadvisable for counsel to the Company to conduct the defense of both parties (in which case the Company will not have the right to direct the defense of such action on behalf of the Indemnified Party), or (iii) the Company has not in fact employed counsel reasonably satisfactory to the Indemnified Party to assume the defense of such action within a reasonable time after receiving notice of the action, suit or proceeding, in each of which cases the reasonable fees, disbursements and other

charges of such counsel will be at the expense of the Company; provided, further, that in no event shall the Company be required to pay fees and expenses for more than one firm of attorneys (and local counsel) representing Indemnified Parties.

If the indemnification provided for in this Agreement is for any reason held unenforceable by an Indemnified Party, the Company agrees to contribute to the losses, claims, damages and liabilities for which such indemnification is held unenforceable (i) in such proportion as is appropriate to reflect the relative benefits to the Company, on the one hand, and Roth on the other hand, of a Transaction whether or not a Transaction is consummated or, (ii) if (but only if) the allocation provided for in clause (i) is for any reason unenforceable, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause (i) but also the relative fault of the Company, on the one hand and Roth, on the other hand, as well as any other relevant equitable considerations. The Company agrees that for the purposes of this paragraph the relative benefits to the Company and Roth of a Transaction as contemplated shall be deemed to be in the same proportion that the total value received or contemplated to be received by the Company in connection with a Transaction bear to the fees paid or to be paid to Roth under this Agreement. Notwithstanding the foregoing, the Company expressly agrees that Roth shall not be required to contribute any amount in excess of the fees paid to Roth hereunder (excluding reimbursable expenses).

The Company agrees that without Roth's prior written consent, which shall not be unreasonably withheld, it will not settle, compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding in respect of which indemnification reasonably likely could be sought under the indemnification provisions of this Agreement (whether or not Roth or any other Indemnified Party is an actual or potential party to such claim, action or proceeding), unless such settlement, compromise or consent includes an unconditional release of each Indemnified Party from all liability arising out of such claim, action or proceeding.

In the event that an Indemnified Party is requested or required to appear as a witness in any action brought by or on behalf of or against the Company in which such Indemnified Party is not named as a defendant, the Company agrees to promptly reimburse Roth on a monthly basis for all expenses reasonably incurred by it in connection with such Indemnified Party's appearing and preparing to appear as such a witness, including, without limitation, the reasonable fees and disbursements of its legal counsel.

If multiple claims are brought with respect to at least one of which indemnification is permitted under applicable law and provided for under this Agreement, the Company agrees that any judgment or arbitration award shall be conclusively deemed to be based on claims as to which indemnification is permitted and provided for, except to the extent the judgment or arbitration award expressly states that it, or any portion thereof, is based solely on a claim as to which indemnification is not available.

EXHIBIT II

Definition of Transaction Value

In the context of this Agreement, "Transaction Value" means the aggregate value of all cash, cash equivalents, securities, and any other forms of payment that the Company receives at the closing of a Transaction, but shall not include any contingent payments.

If part or all of the Transaction Value in a Sale Transaction is represented by securities, the value thereof for the purpose of computing the fees shall be determined as follows:

(i) For securities which are publicly traded prior to the consummation of such transaction, the average last sale price for such securities for the ten trading days prior to the consummation of such transaction;

(ii) For newly-issued, publicly-traded securities, the average last sale price for such securities for ten trading days subsequent to the consummation of such transaction, with such portion of the fees being payable the eleventh trading day subsequent to the consummation of such transaction; and

(iii) For securities for which no market exists, the mutual agreement of the Company and Roth as determined prior to the closing of such transaction.