

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

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In re: : Chapter 11
:
VION PHARMACEUTICALS, INC., : Case No. 09-14429 (CSS)
:
Debtor.¹ : Re: Docket No. 32
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**ADMINISTRATIVE ORDER ESTABLISHING
PROCEDURES FOR (I) ALLOWANCE OF INTERIM
COMPENSATION AND REIMBURSEMENT OF EXPENSES OF
PROFESSIONALS RETAINED BY ORDER OF THIS COURT AND (II)
REIMBURSEMENT OF EXPENSES INCURRED BY COMMITTEE MEMBERS**

Upon consideration of the motion (the "Motion")² of the Debtor in the above-captioned case, for the entry of an order pursuant to §§ 105(a) and 331 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq., (the "Bankruptcy Code"), Rule 2016 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 2016-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules"), establishing procedures for interim compensation and reimbursement of expenses of professionals on a monthly basis [Docket No. 32]; and due and sufficient notice of the Motion having been given; and it appearing that no other or further notice need be provided; and it appearing that the relief requested in the Motion is in the best interests of the Debtor, its estate and creditors and other parties in interest; and after due deliberation and sufficient cause appearing therefore, it is hereby:

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 Capitalized terms not defined herein shall have the meanings ascribed to them in the Motion.

ORDERED, that the Motion is granted as provided herein; and it is further

ORDERED, that except as may otherwise be provided in orders of this Court authorizing the retention of specific professionals, all professionals in this case may seek interim compensation in accordance with the following procedures (collectively, the "Compensation Procedures"):

No earlier than the fifth (5th) day of each calendar month, each Professional seeking interim compensation shall file an application (the "Fee Application"), pursuant to § 331 of the Bankruptcy Code, for interim approval and allowance of compensation for services rendered and reimbursement of expenses incurred during the immediately preceding month (the "Compensation Period") and serve a copy of such Fee Application on: (i) Vion Pharmaceuticals, Inc., 4 Science Park, New Haven, Connecticut 06551 (Attn: Karen Schmedlin); (ii) Fulbright & Jaworski L.L.P., 666 Fifth Avenue, New York, New York 10103 (Attn: David L. Barrack, Esq.), counsel to the Debtor; (iii) Richards, Layton & Finger, P.A. (Attn: John H. Knight, Esq.), Delaware counsel to the Debtor; (iv) the Office of the United States Trustee, 844 King Street, Suite 2207, Wilmington, Delaware 19801 (Attn. Joseph J. McMahon, Jr., Esq.); and, when appointed, counsel to the Committee (each a "Notice Party" and collectively, the "Notice Parties"). All Fee Applications shall comply with the Bankruptcy Code, the Bankruptcy Rules, applicable Third Circuit law, and the Local Rules.

Each Notice Party will have twenty (20) days after service of a Fee Application to object thereto (the "Objection Deadline"). Upon the expiration of the Objection Deadline, a Professional may file a certificate of no objection with the Court after which the Debtor is authorized to pay each Professional an amount (the "Actual Interim Payment") equal to the lesser of (i) eighty percent (80%) of the fees and one hundred percent (100%) of the expenses requested in the Fee Application (the "Interim Payment"); and (ii) eighty percent (80%) of the fees and one hundred percent (100%) of the expenses not subject to an objection pursuant to subparagraph (c) below. The first monthly Fee Application submitted by each Professional shall cover the period from the Petition Date through and including January 31, 2010.

If any Notice Party objects to a Professional's Fee Application, it shall file a written objection (an "Objection") with the Court and serve it on the affected Professional and each of the Notice Parties. The Objection additionally shall be filed with the Court and received by the affected Professional and the Notice Parties on or before the Objection Deadline. Thereafter, the objecting party and the affected Professional may attempt to resolve the Objection on a consensual basis. If the parties are unable to reach a resolution of the Objection within fifteen (15) days after service of the Objection, the affected Professional may either: (i) file a response to the Objection with the Court, together with a request for payment of the difference, if any, between the Interim Payment and the Actual Interim Payment made to the affected Professional (the "Incremental Amount"); or (ii) forego payment of the Incremental Amount until the next interim or final fee application hearing, at which time the Court will consider and dispose of the Objection if requested by the parties.

Beginning with the approximately three-month period ending on March 31, 2010, at three-month intervals or at such other intervals convenient to the Court, each of the Professionals shall file with the Court and serve on the Notice Parties a request (an "Interim Fee Application Request") for interim Court approval and allowance, pursuant to § 331 of the Bankruptcy Code, of the compensation and reimbursement of expenses sought in the Fee Applications filed during such period (the "Interim Fee Period"). The Interim Fee Application Request shall include a summary of the Fee Applications that are the subject of the request and any other information requested by the Court or required by the Local Rules. Each Professional shall file its Interim Fee Application Request within thirty (30) days after the end of the Interim Fee Period for which the request seeks allowance of fees and reimbursement of expenses. Each Professional shall file its first Interim Fee Application Request on or before April 30, 2010 and the first Interim Fee Application Request should cover the Interim Fee Period from the commencement of this case through and including March 31, 2010. In addition, any Professional that fails to file a Fee Application or an Interim Fee Application Request when due or permitted will be ineligible to receive further interim payments of fees or expenses under the compensation procedures until such time as a Fee Application or Interim Fee Application Request is submitted by the Professional.

There will be no other penalties for failing to file a Fee Application or an Interim Fee Application Request in a timely manner.

The Debtor shall request that the Court schedule a hearing on Interim Fee Application Requests at least once every six (6) months, or at such other intervals as the Court deems appropriate.

The pendency of an Objection to payment of compensation or reimbursement of expenses will not disqualify a Professional from the future payment of compensation or reimbursement of expenses.

Neither (i) the payment of or the failure to pay, in whole or in part, monthly interim compensation and reimbursement of expenses nor (ii) the filing of or failure to file an Objection will bind any party in interest or the Court with respect to the allowance of interim or final applications for compensation and reimbursement of expenses of Professionals. All fees and expenses paid to Professionals are subject to disgorgement until final allowance by the Court.

and it is further

ORDERED, that notice of the interim and final fee applications shall be served on (a) the Notice Parties and (b) all parties that have filed a notice of appearance with the Clerk of this Court and requested such notice. The Notice Parties shall be entitled to receive both the Fee Applications and the notice of hearing thereon (the "Hearing Notice"), and all other parties entitled to notice shall be entitled to receive only the Hearing Notice. Notice given in accordance with this paragraph is deemed sufficient and adequate and in full compliance with the applicable provisions of the Bankruptcy Code, Bankruptcy Rules and Local Rules; and it is further

ORDERED, that each member of a Committee shall be permitted to submit statements of expenses and supporting vouchers to the Committee's counsel, which shall collect and submit such requests for reimbursement in accordance with the Compensation Procedures authorized and established herein; provided, however, that Committee members' requests for

reimbursement of attorneys' fees must be made by separate application and scheduled for hearing upon proper notice; and it is further

ORDERED, that all payments made pursuant to this Order are subject to the requirements imposed under the Postpetition Credit Agreement (as defined in the Debtor's motion to obtain postpetition financing) and related budget; and it is further

ORDERED, that all time periods referenced in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a); and it is further

ORDERED, that this Court shall retain jurisdiction with respect to all matters arising from or related to the implementation or interpretation of this Order; and it is further

ORDERED, that this Order is effective immediately upon entry.

Dated: 1/20, 2010
Wilmington, Delaware



THE HONORABLE CHRISTOPHER S. SONTCHI
UNITED STATES BANKRUPTCY JUDGE