Filed pursuant to Rule 424(b)(3) and Rule 424(c)
Under the Securities Act of 1933 in connection with
Registration Statement No. 333-168314

PROSPECTUS SUPPLEMENT NO. 4 (TO PROSPECTUS DATED AUGUST 9, 2010)

CELSION CORPORATION
Common Stock

This Prospectus Supplement No. 4 supersedes the Prospectus Supplement No. 3 dated January 18, 2011 and supplements and amends the prospectus dated August 9, 2010, which we refer to as the Prospectus, which forms a part of our Registration Statement on Form S-1 (Registration Statement No. 333-168314). The Prospectus relates to the disposition from time to time of up to 2,444,434 shares of our common stock, which are held or may be held by the selling stockholder named in the Prospectus. We are not selling any common stock under the Prospectus and this Prospectus Supplement No. 4, and will not receive any of the proceeds from the sale of shares by the selling stockholder named in the Prospectus.

We are filing this Prospectus Supplement No. 4 to reflect an additional draw down by us pursuant to the common stock purchase agreement by and between us and Small Cap Biotech Value, Ltd., or SCBV, dated as of June 17, 2010, and to update, amend and supplement the information included or incorporated by reference in the Prospectus with the information contained in the current report described below and the information contained under the caption "Recent Developments" set forth below.

On January 18, 2011, we filed with the Securities and Exchange Commission a current report on Form 8-K (the "Current Report"). Accordingly, the Current Report is attached to this Prospectus Supplement No. 4.

This Prospectus Supplement No. 4 should be read in conjunction with, and delivered with, the Prospectus and is qualified by reference to the Prospectus except to the extent that the information in this Prospectus Supplement No. 4 supersedes the information contained in the Prospectus. All references in the Prospectus to "this prospectus" are hereby amended to read "this prospectus (as supplemented and amended)".

This Prospectus Supplement No. 4 is not complete without, and may not be delivered or utilized except in connection with, the Prospectus, including any amendments or supplements to it.

Our common stock is listed on The NASDAQ Capital Market under the symbol "CLSN." On January 14, 2011, the last reported sale price of our common stock on The NASDAQ Capital Market was $2.93.

Investing in our common stock involves a high degree of risk. You should review carefully the risks and uncertainties described under the heading "Risk Factors" beginning on page 6 of the accompanying prospectus, and under similar headings included in our recent quarterly and annual reports filed with the Securities and Exchange Commission.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying Prospectus to which this prospectus supplement relates are truthful or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus supplement is January 20, 2011.

Selling Stockholder

The table appearing under the caption "Selling Stockholder" on page 23 of the Prospectus is hereby supplemented by inserting the following additional text at the end of footnote (1) to such table:

> On December 15, 2010, we delivered notice to SCBV to effect a draw down. In connection with this draw down, we issued an aggregate of 583,132 shares of our common stock to SCBV at an aggregate purchase price of $1,159,788. The settlement date for this drawdown was December 30, 2010. The price at which SCBV purchased these shares from us was established under the common stock purchase agreement by reference to volume weighted average prices of our common stock on the NASDAQ Capital Market for the period beginning December 15, 2010 and ending December 29, 2010, net of a discount of 6% per share. Broker fees and other expenses associated with this draw totaled $34,118.

Recent Developments

The U.S. Food and Drug Administration (the "FDA") recently has designated our pivotal Phase III clinical study for ThermoDox®, in combination with radiofrequency ablation, as a Fast Track Development Program. We have received written guidance from the FDA stating that, assuming the results of our ongoing studies are adequate, we may submit our New Drug Application ("NDA") for ThermoDox® pursuant to Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act. A 505(b)(2) NDA provides that some of the information from the reports required for marketing approval may come from studies that the applicant does not own or for which the applicant does not
have a legal right of reference and permits a manufacturer to obtain marketing approval for a drug without needing to conduct or obtain a right of reference for all of the required studies. The availability of Section 505(b)(2) and the designation of ThermoDox® as a Fast Track Development Program will provide us with an expedited pathway to approval. There can be no assurance, however, that the results of our ongoing studies will be adequate to obtain approval of ThermoDox® under Section 505(b)(2).

In addition, on October 1, 2010, the Company was advised that after reviewing data from 401 patients enrolled in our pivotal Phase III clinical study (the HEAT study) for ThermoDox®, the Data Monitoring Committee (the "DMC") for this trial unanimously recommended that the trial continue to enroll patients with the goal of reaching the 600 patients required to complete the study. The DMC, comprised of an independent group of medical and scientific experts, reviews study data at regular intervals to ensure the safety of all patients enrolled in th e trial, the quality of the data collected, and the continued scientific validity of the trial design. In addition, the DMC has recommended, and confirmed such recommendation on November 24, 2010, a hold on enrollment of additional patients in this trial in Japan in accordance with the requirements of the DMC’s charter pending review by the DMC of certain safety and efficacy data as required by the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan. The DMC is expected to complete its review of this data at its next regularly scheduled meeting in early February 2011. The Company expects that the DMC will permit resumption of enrollment of patients in Japan after it has completed review of this data, but there can be no assurance that such permission will be granted by the DMC in February or at all. Notwithstanding this review period for patients in Japan, patient enrollment in this trial is continuing at 66 sites in ten other countries and the trial i s over 82% enrolled toward the goal of 600 patients.

ATTACHMENT TO PROSPECTUS SUPPLEMENT #4

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): January 11, 2011

CELSION CORPORATION

(Exact Name of Registrant as Specified in Charter)

Delaware	**001-15911**	**52-1256615**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

10220-L Old Columbia Road, Columbia, Maryland 21046-2364

(Address of Principal Executive Offices) (Zip Code)

(410) 290-5390

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement

On January 12, 2011, Celsion Corporation (the "Company") entered into a Securities Purchase Agreement (the "Purchase Agreement") with a select group of institutional investors, including certain officers and directors of the Company, to sell up to 5,000 shares of 8% redeemable convertible preferred stock (the "Preferred Stock") with a stated value of $1,000 and warrants (the "Included Warrants") to purchase up to 2,083,333 shares of common stock in a registered direct offering. The Preferred Stock and Included Warrants will be sold in units (the "Units"), with each Unit consisting of one share of Preferred Stock and an Included Warrant to purchase up to 416.6666 shares of common stock at an exercise price of $3.25 per whole share of common stock. The Units are being offered and sold to unaffiliated third party investors at a negotiated purchase price of $1,000 per Unit and to officers and directors at an at-the-market price of $1,197.92 per Unit in accordance with the NASDAQ Stock Market Rules. Each share of Preferred Stock is convertible into shares of common stock at an initial conversion price of $2.40 per share, subject to adjustment in the event of stock splits, recapitalizations or reorganizations that affect all holders of common stock equally. The Company expects to receive gross proceeds from the offering of approximately $5.1 million, before deducting placement agents' fees and estimated offering expenses. Concurrent with the issuance and sale of the Units, the Company shall issue a warrant (the "Placement Agent Warrant") to purchase up to 350 shares of Preferred Stock at an exercise price of $1,000 per whole share of Preferred Stock to Dominick & Dominick LLC, as placement agent.

The Units are being offered and sold pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333-158402), which was declared effective by the Securities and Exchange Commission on April 17, 2009, as supplemented by prospectus supplements dated January 12, 2011 and January 13, 2011 filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

The foregoing is only a brief description of the material terms of the Purchase Agreement, Preferred Stock and Warrants, and does not purport to be a complete description of the rights and obligations of the parties thereunder and is qualified in its entirety by reference to the Certificate of Designation for the Preferred Stock, the form of Included Warrant, the Placement Agent Warrant and the form of Purchase Agreement that are filed as Exhibits 3.1, 4.2, 4.3 and 10.2 to this Current Report on Form 8-K and incorporated by reference herein.

On December 5, 2008, the Company entered into a Development, Product Supply and Commercialization Agreement for Thermodox® with Yakult Honsha Co. (the "Yakult Agreement") pursuant to which the Company granted to Yakult an exclusive license, solely in the Japanese market, to make, sell, import and use Thermodox® for the indications set forth in the Yakult Agreement in consideration of certain milestone and royalty payments, including an $18 million milestone payment upon approval of Thermodox® by the Japanese Ministry of Health, Labor and Welfare for the treatment of primary liver cancer (the "Approval Milestone"). On January 11, 2011, the Company entered into an amendment to the Yakult Agreement (the "Amendment") that provides for (i) a payment by Yakult to the Company of $2 million, which was received by the Company on January 12, 2011, in consideration of a partial reduction in the Approval Milestone, and (ii) if and when the DMC permits the resumption of patient enrollment in Japan for pivotal Phase III clinical study for ThermoDox®, as discussed under Item 8.01 of this Current Report on Form 8-K, a payment by Yakult to us of an additional $2 million in consideration of an additional, partial reduction in the Approval Milestone. Assuming payment by Yakult of the $4 million contemplated by the Amendment and the partial reductions in the Approval Milestone related thereto, the aggregate Approval Milestone that we may receive in the future will have been reduced by approximately forty percent (40%). Among other separate prescribed events, receipt by the Company of the second $2.0 million from Yakult is a mandatory conversion event for the Preferred Stock. A copy of the Amendment to the Yakult Agreement is filed as Exhibit 10.1 hereto and is incorpo rated herein by reference.

This Current Report contains forward-looking statements that involve risk and uncertainties, such as statements related to the anticipated future payment and milestone events under the Amendment and the Yakult Agreement the amount of net proceeds expected from the offering. The risks and uncertainties involved include the Company's ability to satisfy certain conditions on a timely basis or at all, as well as other risks detailed from time to time in the Company's Securities and Exchange Commission filings, including its annual report on Form 10-K for the fiscal year ended December 31, 2009 and its quarterly report on Form 10-Q for the fiscal period ended September 30, 2010.

The legal opinion, including the related consent, of Seyfarth Shaw LLP is filed as Exhibit 5.1 to this Current Report.

On January 13, 2011, the Company issued a press release announcing the offering. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

On January 14, 2011, the Company filed a Certificate of Designation to its Certificate of Incorporation designating 5,350 shares of the Company's authorized preferred stock as "8% Series A Redeemable Convertible Preferred Stock." The Preferred Stock has a stated value of $1,000 per share, accrues a dividend at 8% per annum payable quarterly, and is subject to mandatory redemption on January 14, 2013. The shares of Preferred Stock also are convertible to shares of the Company's common stock at an initial conversion rate of $2.40 per share at the option of the holder or upon the occurrence of certain mandatory conversion events. The shares of Preferred Stock were sold in the Offering as described in Item 1.01 of this Current Report on Form 8-K. A copy of the Certificate of Designation is filed herewith as Exhibit 3.1 and incorporated herein by reference.

Item 8.01 Other Events.

On October 1, 2010, the Company was advised that after reviewing data from 401 patients enrolled in its pivotal Phase III clinical study (the HEAT study) for ThermoDox®, the Data Monitoring Committee (the "DMC") for this trial unanimously recommended that the trial continue to enroll patients with the goal of reaching the 600 patients required to complete the study. The DMC, comprised of an independent group of medical and scientific experts, reviews study data at regular intervals to ensure the safety of all patients enrolled in the trial, the quality of the data collected, and the continued scientific validity of the trial design. In addition, the DMC has recommended, and confirmed such recommendation on November 24, 2010, a hold on enrollment of additional patients in this trial in Japan in accord ance with the requirements of the DMC's charter pending review by the DMC of certain safety and efficacy data as required by the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan. The DMC is expected to complete its review of this data at its next regularly scheduled meeting in early February 2011. The Company expects that the DMC will permit resumption of enrollment of patients in Japan after it has completed review of this data, but there can be no assurance that such permission will be granted by the DMC in February or at all. Notwithstanding this review period for patients in Japan, patient enrollment in this trial is continuing at 66 sites in ten other countries and the trial is over 82% enrolled toward the goal of 600 patients.

On June 17, 2010, the Company entered into a financing arrangement, sometimes referred to as a Committed Equity Financing Facility (the "CEFF"), with Small Cap Biotech Value, Ltd. (the "Purchaser") that provides that, upon the terms and subject to the conditions set forth therein, the Purchaser is committed to purchase up to $15.0 million worth of the Company's common stock over the 24-month term of the Purchase Agreement, up to a maximum of 2,404,434 shares, under certain specified conditions and limitations. As of January 12, 2011, the Company has sold 1,069,919 shares of its common stock to the Purchaser pursuant to the CEFF for aggregate net proceeds of $2,502,089, including 583,132 shares that were sold on December 30, 2010 for aggregate net proceeds of $1,125,670.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
3.1	Certificate of Designation for 8% Series A Redeemable Convertible Preferred Stock.
4.1	Form of Preferred Stock Certificate.
4.2	Form of Common Stock Warrant.
4.3	Preferred Stock Warrant.
5.1	Opinion of Seyfarth Shaw LLP.
10.1	The 2nd Amendment To The Development, Product Supply And Commercialization Agreement, effective January 7, 2011, by and between the Company and Yakult Honsha Co., Ltd.*****
10.2	Securities Purchase Agreement.
99.1	Press Release of Celsion Corporation dated January 13, 2011.

***** Portions of this exhibit have been omitted pursuant to a request for confidential treatment under Rule 24b-2 of the Securities Exchange Act of 1934, amended, and the omitted material has been separately filed with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, each Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CELSION CORPORATION

Dated: January 18, 2011

By: */s/ Jeffrey W. Church*
Jeffrey W. Church
Vice President and Chief Financial Officer

EXHIBIT INDEX

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EXHIBIT 3.1

CELSION CORPORATION

CERTIFICATE OF DESIGNATION
FOR
8% SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK

(Pursuant to Section 151(g) of the General Corporation Law of the State of Delaware)

The undersigned, being the Secretary of Celsion Corporation (the "Corporation"), a corporation organized and existing under the General Corporation Law of the State of Delaware (the "DGCL"), in accordance with the provisions of Section 151(g) of the DGCL, does hereby certify that:

Pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation of the Corporation, as amended (the " Certificate of Incorporation "), the Board of Directors, on January 10, 2011, in accordance with Section 151(g) of the DGCL, duly adopted the following resolution establishing a series of 5,350 shares of the Corporation's preferred stock, par value $0.01 per share (the "Preferred Stock"), to be designated as its 8% Series A Redeemable Convertible Preferred Stock:

RESOLVED, that pursuant to the authority vested in the Board of Directors by the Certificate of Incorporation, the Board of Directors hereby establishes a series of 8% Series A Redeemable Convertible Preferred Stock of the Corporation and hereby states the number of shares, and fixes the powers, designations, preferences and relative, participating, optional and other rights, and the qualifications, limitations and restrictions thereof, of such series of shares as follows:

8% SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK

SECTION 1. Designation; Number of Shares; Rank.

(a) There shall be created from the 100,000 shares of Preferred Stock authorized to be issued by the Certificate of Incorporation, a series of Preferred Stock designated as "8% Series A Redeemable Convertible Preferred Stock" (the "Convertible Preferred Stock"), and the authorized number of shares constituting the Convertible Preferred Stock shall be 5,350. Such number of shares may be decreased by resolution of the Board of Directors adopted and filed pursuant to Section 151(g) of the DGCL, or any successor provision, and by the filing of a certificate of decrease with the Secretary of State of the State of Delaware; provided that no such dec rease shall reduce the number of authorized shares of Convertible Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, warrants, convertible or exchangeable securities or other rights to acquire shares of Convertible Preferred Stock.

(b) The Convertible Preferred Stock, with respect to dividend rights and upon liquidation, winding-up or dissolution of the Corporation, ranks (a) senior to all Junior Stock; and (b) on a parity, in all respects, with all the Parity Stock.

SECTION 2. Definitions. As used in this Certificate of Designation, the following terms have the following meanings:

"Board of Directors" shall mean the Board of Directors of the Corporation or, with respect to any action to be taken by the Board of Directors, any committee of the Board of Directors duly authorized to take such action.

"Business Day" shall mean any day other than a Saturday, Sunday or other day on which commercial banks in the City of New York are authorized or required by law or executive order to close.

"Certificate of Incorporation" shall have the meaning assigned to such term in the second paragraph of the preamble.

"Close of Business" shall mean 5:00 p.m. (New York City time).

"Closing Bid Price" of the Common Stock on any date shall mean the closing bid price per share on that date as reported on the NASDAQ Capital Market. If the Common Stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the "Closing Bid Price" will be the last quoted bid price for the Common Stock reported in the over-the-counter market on the relevant date. If the Common Stock is not so quoted, the "Closing Bid Price" will be the average of the mid-point of the last bid and ask prices for the Common Stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by the Corporation for this purpose.

"Common Stock" shall mean the common stock, par value $0.01 per share, of the Corporation or any other capital stock of the Corporation into which such Common Stock shall be reclassified or changed.

"Contingent Obligations" shall mean, as to any Person, any direct or indirect liability, contingent or otherwise, of that Person with respect to any indebtedness, lease, dividend or other obligation of another Person if the primary purpose or intent of the Person incurring such liability, or the primary effect thereof, is to provide assurance to the obligee of such liability that such liability will be paid or discharged, or that any agreements relating thereto will be complied with, or that the holders of such liability will be protected (in whole or in part) against loss with respect thereto.

"Conversion Agent" shall have the meaning assigned to such term in Section 16.

"Conversion Date" shall have the meaning assigned to such term in Section 6(a)(ii).

"Conversion Price" at any time shall mean an amount equal to the Liquidation Preference at such time divided by the Conversion Rate in effect at such time.

"Conversion Rate" shall mean four hundred sixteen and two-thirds (416 2/3) shares of the Common Stock per share of Convertible Preferred Stock, subject to adjustment as set forth in Section 7.

"Convertible Preferred Stock" shall have the meaning assigned to such term in Section 1.

"Corporation" shall have the meaning assigned to such term in the first paragraph of the preamble.

"DGCL" shall have the meaning assigned to such term in the first paragraph of the preamble.

"Dividend Payment Date" shall mean each April 15, July 15, October 15 and January 15, commencing April 15, 2011.

"Dividend Rate" shall mean the rate per annum of 8% per share of Preferred Stock on the Liquidation Preference.

"Dividend Record Date" shall mean, with respect to any Dividend Payment Date, the March 31, June 30, September 30 and December 31 immediately preceding such Dividend Payment Date.

"Effective Date" shall mean the date on which a Fundamental Change event is consummated.

"Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Fully Adjusted Conversion Rate" shall have the meaning assigned to such term in Section 17(f).

"Fundamental Change" shall mean the occurrence of any of the following:

(a) the Corporation consolidates with, merges with or into, another Person, or any Person consolidates with, or merges with or into, the Corporation, other than pursuant to a transaction in which the Persons that "beneficially owned" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, the Corporation's voting capital stock immediately prior to such transaction beneficially own, directly or indirectly, voting capital stock representing a majority of the total voting power of all outstanding classes of voting capital stock of the continuing or surviving Person in substantially the same proportion among themselves as such ownership immediately prior to such transaction; and

(b) the sale, lease or transfer, in one or a series of related transactions, of all or substantially all of the Corporation's assets (determined on a consolidated basis) to any Person or group (as such term is used in Section 13(d)(3) of the Exchange Act) other than pursuant to a transaction in which persons that "beneficially owned" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, the Corporation's voting capital stock immediately prior to such transaction beneficially own, directly or indirectly, voting capital stock representing a majority of the total voting power of such Person or group, and excluding license agreements with respect to any of the Corporation's products.

"Fundamental Change Notice" shall have the meaning assigned to such term in Section 9(a).

"Holder" or "holder" shall mean a holder of record of the Convertible Preferred Stock.

"Indebtedness" shall mean without duplication (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services, (excluding "capital leases" in accordance with generally accepted accounting principles and other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced incurred in connec tion with the acquisition of property, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all indebtedness referred to in clauses (i) through (v) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any mortgage, lien, pledge, charge, security interest or other encumbrance upon or in any property or assets (including accounts and contract rights) owned by any Person, even though the Person which owns such assets or property has not assumed or become liable for the payment of such indebtedness, and (vii) all Contingent Obligations in respect of indebt edness or obligations of others of the kinds referred to in clauses (i) through (vi) above.

"Issue Date" shall mean January 14, 2011, the original date of issuance of the Convertible Preferred Stock.

"Junior Stock" shall mean all classes of the Common Stock and each other class of capital stock or series of preferred stock of the Corporation established after the Issue Date by the Board of Directors, the terms of which do not expressly provide that such class or series ranks senior to or on a parity with the Convertible Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Corporation.

"Liquidation Preference" shall mean, with respect to each share of Convertible Preferred Stock, $1,000.00.

"Mandatory Conversion Date" shall have the meaning assigned to such term in Section 6(b)(ii).

"Market Disruption Event" shall mean (i) a failure by the primary United States national securities or regional exchange or market on which the Common Stock is listed, admitted for trading or quoted to open for trading during its regular trading session or (ii) the occurrence or existence prior to 1:00 p.m., New York City time, on any Trading Day for the Common Stock for an aggregate one half hour period of any suspension or limitation imposed on trading (by reason of movements in price exceeding limits permitted by the stock exchange or otherwise) in the Common Stock or in any options, contracts or future contracts relating to the Common Stock.

"Open of Business" shall mean 9:30 a.m. (New York City time).

"Parity Stock" shall mean any class of capital stock or series of preferred stock of the Corporation established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank on a parity with the Convertible Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Corporation.

"Partially Adjusted Conversion Rate" shall have the meaning assigned to such term in Section 17(f).

"Paying Agent" shall have the meaning assigned to such term in Section 16.

"Permitted Indebtedness" shall mean (i) equipment leases, capital leases, obligations to vendors and other Indebtedness, provided in good faith without intent to circumvent any restriction hereunder by Persons that are in the primary business of providing such leases, obligations or Indebtedness, that entails commercial benefits and obligations beyond merely the obligation to repay borrowed money; (ii) Indebtedness of the Corporation outstanding on the Issue Date, and (iii) Indebtedness of the Corporation incurred in connection with the entry into a licensing agreement relating to the development of the Corporation's products.

"Person" shall mean any individual, corporation, general partnership, limited partnership, limited liability partnership, joint venture, association, joint-stock company, trust, limited liability company, unincorporated organization or government or any agency or political subdivision thereof.

"Preferred Stock" shall have the meaning assigned to such term in the second paragraph of the preamble.

"Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of the Common Stock (or other security) have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of securityholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors, by statute, by contract or otherwise).

"Reference Property" shall have the meaning assigned to such term in Section 8.

"Registrar" shall have the meaning assigned to such term in Section 16.

"SEC" or "Commission" shall mean the Securities and Exchange Commission.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Senior Stock" shall mean each class of capital stock or series of preferred stock of the Corporation established after the Issue Date by the Board of Directors, the terms of which expressly provide that such class or series will rank senior to the Preferred Stock as to dividend rights or rights upon the liquidation, winding-up or dissolution of the Corporation.

"Scheduled Trading Day" shall mean any day that is scheduled to be a Trading Day. If the Common Stock is not so listed for trading or quotation on or by any exchange or quotation system, Scheduled Trading Day means a Business Day.

"Trading Day" shall mean a day during which (i) trading in the Common Stock generally occurs on The Nasdaq Capital Market, or if the Common Stock is not listed on the Nasdaq Capital Market, then the principal U.S. national or regional securities exchange on which the Common Stock is listed, admitted for trading or quoted or, if the Common Stock is not so listed, admitted for trading or quoted, any Business Day, and (ii) there is no Market Disruption Event. A Trading Day only includes those days that have a scheduled closing time of 4:00 p.m. (New York City time) or the then standard closing time for a regular full Trading Day on the relevant e xchange or trading system. For the avoidance of doubt, Trading Day shall not include any Scheduled Trading Day with a scheduled closing time earlier than the then standard closing time for a regular full Trading Day even if such earlier closing time is the scheduled closing time for such day.

"Transfer Agent" shall have the meaning assigned to such term in Section 16.

"Voting Conversion Rate" shall mean the number of shares of Common Stock as is equal to the $1,000 stated value of a share of Preferred Stock divided by $2.75, subject to adjustment as set forth in Section 7.

SECTION 3. Mandatory Redemption.

(a) The Convertible Preferred Stock shall be subject to mandatory redemption by the Company on January 14, 2013 (the "Mandatory Redemption Date"). On the Mandatory Redemption Date, the Corporation shall pay to Holders of the Convertible Preferred Stock in respect of each share of Convertible Preferred Stock then outstanding a sum, in cash, equal to Liquidation Preference plus any accrued and unpaid dividends through and including the Mandatory Redemption Date.

(b) On and after the close of business on the Mandatory Redemption Date, such shares of Convertible Preferred Stock shall cease to be outstanding, dividends with respect to such shares of Convertible Preferred Stock shall cease to accumulate and all rights whatsoever with respect to such shares shall terminate.

SECTION 4. Dividends and Distributions.

(a) Holders of shares of Convertible Preferred Stock will be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for such purpose, cumulative dividends at the Dividend Rate. Dividends on the Convertible Preferred Stock will be payable quarterly in arrears on each Dividend Payment Date at the Dividend Rate, and shall accumulate from the most recent date to which dividends have been paid, or if no dividends have been paid, from the Issue Date. Dividends will be payable to holders of record as they appear on the Corporation's stock register on the applicable Dividend Record Date. Accumulations of dividends on shares of Convertible Preferred Stock do not bear interest. Divide nds payable on the Convertible Preferred Stock for any period less than a full dividend period (based upon the number of calendar days elapsed during the period) will be computed on the basis of a 365-day year and actual days elapsed.

(b) All dividends (including accumulated and unpaid dividends) on the Convertible Preferred Stock shall be paid in cash.

(c) No dividend will be declared or paid upon, or any sum set apart for the payment of dividends upon, any outstanding share of the Convertible Preferred Stock with respect to any dividend period unless all dividends for all preceding dividend periods have been declared and paid upon all outstanding shares of Convertible Preferred Stock.

(d) No dividends or other distributions in respect of shares of Junior Stock shall be declared or paid or set apart for payment on, and no purchase, redemption or other acquisition shall be made by the Corporation, of any shares of Junior Stock (except by conversion into or exchange for shares of Junior Stock) unless and until all accumulated, accrued and unpaid dividends on the Convertible Preferred Stock, including the full dividend for the then-current dividend period, shall have been paid or declared and set apart for payment.

(e) No dividends or other distributions in respect of shares of Parity Stock shall be declared or paid or set apart for payment on, and no purchase, redemption or other acquisition shall be made by the Corporation, of any shares of Parity Stock (except by conversion into or exchange for shares of Parity Stock or Junior Stock) unless and until full cumulative dividends have been, or contemporaneously are, paid or declared and set apart for payment on the Convertible Preferred Stock for all dividend periods terminating on or prior to the date of any such declaration, payment, setting apart, purchase, redemption or other acquisition.

(f) Dividends on the Convertible Preferred Stock will accrue regardless of whether: (i) the Corporation's agreements, including the Corporation's credit facilities, at any time prohibit the current payment of dividends, (ii) there are funds legally available for the payment of such dividends, or (iii) such dividends are authorized by the Board of Directors.

SECTION 5. Liquidation Preference.

(a) In the event of the voluntary or involuntary liquidation, winding-up or dissolution of the Corporation, each holder of Convertible Preferred Stock will be entitled to receive and to be paid out of the assets of the Corporation available for distribution to the stockholders of the Corporation, before any payment or distribution is made to holders of Junior Stock (including the Common Stock), in respect of each share of Convertible Preferred Stock an amount equal to the Liquidation Preference, plus any accumulated and unpaid dividends on such shares to the date fixed for liquidation, winding-up or dissolution.

(b) Neither the sale of all or substantially all the assets or business of the Corporation (other than in connection with the liquidation, winding-up or dissolution of its business) nor the merger or consolidation of the Corporation into or with any other Person shall be deemed to be a liquidation, winding-up or dissolution, voluntary or involuntary, for the purposes of this Section 5 .

(c) If, upon the voluntary or involuntary liquidation, winding-up or dissolution of the Corporation, the amounts payable with respect to the Liquidation Preference of the Convertible Preferred Stock and all Parity Stock are not paid in full, the holders of the Convertible Preferred Stock and the Parity Stock will share equally and ratably in any distribution of assets of the Corporation in proportion to the full Liquidation Preference and accumulated and unpaid dividends to which they are entitled.

(d) After the payment to the holders of the shares of Convertible Preferred Stock of full amount of the Liquidation Preference and accumulated and unpaid dividends to which they are entitled, the holders of Convertible Preferred Stock as such shall have no right or claim to any of the remaining assets of the Corporation.

SECTION 6. Conversion.

(a) At the Option of the Holder.

(i) Holders of Convertible Preferred Stock may, at their option, convert any or all of their shares of Convertible Preferred Stock into fully paid and nonassessable shares of the Common Stock at any time after issuance of such Convertible Preferred Stock, subject to the terms and provisions of this Section 6. Each share of Convertible Preferred Stock shall be convertible into a number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/1000th of a share) equal to the Conversion Rate in effect at the close of business on the Conversion Date.

(ii) The conversion right of a Holder of Convertible Preferred Stock shall be exercised by the Holder by the surrender to the Corporation of the certificates representing the shares to be converted to the Corporation, accompanied by (A) written notice to the Corporation that the Holder elects to convert all or a portion of the shares of Convertible Preferred Stock represented by such certificate and specifying the name or names (with address) in which a certificate or certificates for shares of Common Stock are to be issued and (B) (if so required by the Corporation or the Transfer Agent) by a written instrument or instruments of transfer in form reasonably satisfactory to the Corporation duly executed by the holder or its duly authorized legal representative and transfer tax stamps or funds therefor, if required. The date on which a Holder complies with the procedures in this Section 6(a) is the "Conversion Date."

(iii) Upon any such conversion of any share of Convertible Preferred Stock, the Holder thereof shall also be entitled to receive a sum, in cash, equal to all declared and unpaid dividends thereon to the Conversion Date.

(iv) The Corporation shall deliver the shares of the Common Stock (in respect of the conversion obligation) and cash (in respect of any fractional shares and unpaid dividends) deliverable upon conversion no later than the fourth Trading Day immediately following the relevant Conversion Date.

(v) If fewer than all the shares of Convertible Preferred Stock evidenced by any such surrendered certificate or certificates, if any, are converted, the Corporation shall, as soon as practicable, issue and deliver to the holder of the Convertible Preferred Stock a new certificate evidencing the shares of Convertible Preferred Stock that are not subject to such conversion. On and after the close of business on the Conversion Date, the holder converting such shares shall be deemed to be the holder of record of the Common Stock issuable upon such conversion, such shares of Convertible Preferred Stock shall cease to be outstanding, dividends with respect to such shares of Convertible Preferred Stock shall cease to accumulate and all rights whatsoever with respect to such shares (except the right to receive the Common Stock, any

accrued and unpaid dividends to the date of such conversion in cash and any cash in lieu of fractional shares of Common Stock due in connection with such conversion in accordance with Section 10) shall terminate.

(b) Mandatory Conversion.

(i) Upon the occurrence of any of the following events (each, a "Mandatory Conversion Event"), all outstanding shares of Convertible Preferred Stock shall automatically convert into a number of fully paid and nonassessable shares of Common Stock (calculated as to each conversion to the nearest 1/1000th of a share) equal to the Conversion Rate in effect at the close of business on the effective date of such Mandatory Conversion Event:

(A) The Corporation shall have received aggregate gross proceeds from the sale of Common Stock at any time and from time to time subsequent to the Issue Date of at least $10,000,000 at a per share issue price of not less than $4.00 per share of Common Stock;

(B) The average closing price per share of the Common Stock, as reported in the principal market in which the Common Stock is listed, for any twenty (20) consecutive Trading Days subsequent to the Issue Date shall equal or exceed $6.00; or

(C) The Corporation shall have received at least $4,000,000 as actual, or advanced payment of future, license, milestone or royalty payments not involving the issuance of equity securities of the Corporation pursuant to a licensing, development or other agreement between the Corporation and any strategic, development or licensing partner, including without limitation any such payments pursuant to that certain Development, Product Supply and Commercialization Agreement dated December 5, 2008 by and between the Corporation and Yakult Honsha Co., Ltd., as amended through the Issue Date.

(ii) To exercise the mandatory conversion right described in this Section 6(b), the Corporation must provide notice to the Holders of the Convertible Preferred Stock within ten (10) Business Days after the occurrence of a Mandatory Conversion Event, and such mandatory conversion shall be effective as of the close of business on the fifth (5^{th}) Business Day following the date of such notice (the "Mandatory Conversion Date").

(iii) In addition to any information required by applicable law or regulation, the notice of a mandatory conversion shall state, as appropriate: (A) the Mandatory Conversion Date; (B) the Conversion Rate then in effect; (C) instructions for surrendering the certificate or certificates, if any, evidencing the shares of Convertible Preferred Stock that are subject to such mandatory conversion; (D) that all accrued and unpaid dividends on the shares of Convertible Preferred Stock to the date of conversion will be paid on the Mandatory Conversion Date; (E) that on and after the Mandatory Conversion Date, dividends will cease to accumulate on such shares; and (F) a description of the nature and material circumstance of the Mandatory Conversion Event and whether it was pursuant to paragraphs (A), (B) or (C) above.

(iv) Upon any such mandatory conversion of any share of Convertible Preferred Stock, the holder thereof shall also be entitled to receive a sum, in cash, equal to all declared and unpaid dividends thereon to and including the Mandatory Conversion Date.

(v) The Corporation shall deliver the shares of the Common Stock (in respect of the conversion obligation) and cash (in respect of any fractional shares and unpaid dividends) deliverable upon conversion no later than the Mandatory Conversion Date.

(vi) On and after the Mandatory Conversion Date, all rights of Holders of such Convertible Preferred Stock shall terminate except for the right to receive the whole shares of Common Stock issuable upon conversion thereof together with accrued and unpaid dividends in cash and cash in lieu of fractional shares.

(vii) Any mandatory conversion notice which is mailed as herein provided shall be conclusively presumed to have been duly given, whether or not a Holder of the Convertible Preferred Stock receives such mandatory conversion notice; and failure so to give such mandatory conversion notice, or any defect in such mandatory conversion notice, to the Holders of any shares designated for mandatory conversion shall not affect the validity of the proceedings for the mandatory conversion of any other shares of Convertible Preferred Stock.

(c) Mechanics of Conversion.

(i) The Corporation shall not be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of Common Stock or other securities or property upon conversion, whether optional or mandatory, of the Convertible Preferred Stock in a name other than that of the Holder of the shares of Convertible Preferred Stock being converted, nor shall the Corporation be required to issue or deliver any such shares or other securities or property unless and until the person or persons requesting the issuance thereof shall have paid to the Corporation the amount of any such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

(ii) Each optional conversion shall be deemed to have been effected immediately prior to the close of business on the Conversion Date. Each mandatory conversion shall be deemed to be effective at the Mandatory Conversion Date set forth in the mandatory conversion notice delivered to the holders of Convertible Preferred Stock in accordance with Section 6(b)(ii) .

(d) Reservation of Shares; Compliance with Law; Listing. A number of shares of the authorized but unissued Common Stock sufficient to provide for the conversion of the Convertible Preferred Stock outstanding upon the basis hereinbefore provided shall at all times be reserved by the Corporation, free from preemptive rights, for such conversion, subject to the other provisions of this Section 6 . If the Corporation shall issue any securities or make any change in its capital structure that would change the number of shares of Common Stock into which each share of the Convertible Preferred Stock shall be convertible as herein provided, the Corporation shall at the same time also make proper provision so that thereafter there shall be a sufficient number of shares of Common Stock authorized and reserved, free from preemptive rights, for conversion of the outstanding Convertible Preferred Stock on the new basis. The Corporation shall comply with all securities laws regulating the offer and delivery of shares of Common Stock upon conversion of the Convertible Preferred Stock and shall use its best efforts to list such shares of Common stock on each national securities exchange on which the Common Stock is listed.

SECTION 7. Conversion Rate Adjustments.

(a) If the Corporation at any time after the Issue Date subdivides (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Conversion Rate or Voting Conversion Rate in effect immediately prior to such subdivision will be proportionately reduced, as applicable. If the Corporation at any time after the Issue Date combines (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Conversion Rate and the Voting Conversion Rate in effect immediately prior to such combination will be proportionately increased. Any adjustm ent made under this Section 7(a) shall become effective immediately after the close of the business on the Record Date for such dividend or distribution, or immediately after the open of business on the effective date for such share split or share combination. If any dividend or distribution of the type described in this Section 7(a) is declared but not so paid or made, the Conversion Rate or the Voting Conversion Rate, as applicable, shall be immediately readjusted, effective as of the date the Board of Directors determines not to pay such dividend or distribution, to the Conversion Rate or the Voting Conversion Rate that would then be in effect if such dividend or distribution had not been declared.

(b) Except as stated herein, the Corporation will not adjust the Conversion Rate or the Voting Conversion Rate for the issuance of shares of the Common Stock or any securities convertible into or exchangeable for shares of the Common Stock or the right to purchase shares of the Common Stock or such convertible or exchangeable securities.

(c) To the extent that the Corporation has a rights plan in effect upon conversion of the shares of Convertible Preferred Stock into Common Stock, holders of the shares of Convertible Preferred Stock will receive, in addition to shares of the Common Stock received in connection with such conversion, the rights under the rights plan, unless prior to any conversion, the rights have separated from the Common Stock, in which case, and only in such case, the Conversion Rate or the Voting Conversion Rate will be adjusted at the time of separation as if the Corporation distributed to all holders of the Common Stock shares of its capital stock as described in Section 7(a) above, subject to readjustment in the event of the expiration, termination or redemption of su ch rights.

(d) Adjustments to the Conversion Rate and the Voting Conversion Rate will be calculated to the nearest 1/10,000th of a share. The Corporation will not be required to make an adjustment to the Conversion Rate or the Voting Conversion Rate unless the adjustment would require a change of at least 1% in the Conversion Rate or the Voting Conversion Rate, as applicable. However, the Corporation will carry forward any adjustments that are less than 1% of the Conversion Rate or the Voting Conversion Rate and make such carried-forward adjustments; provided that, all such carried forward adjustments to the Conversion Rate shall be made on the conversion date of any shares of Convertible Preferred Stock or at the time the Corporation notifies holders of shares of Convertible Preferred Sto ck of a Fundamental Change as set forth in Section 9.

SECTION 8. Recapitalizations, Reclassifications and Changes of the Common Stock. In the event of any of the following events which does not constitute a Fundamental Change:

(a) any consolidation, merger or combination involving the Corporation;

(b) any sale, lease or other transfer to another person of all or substantially all of property and assets of the Corporation; or

(c) any statutory share exchange;

in each case, as a result of which the Common Stock would be converted into, or exchanged for, stock, other securities or other property or assets (including cash or any combination thereof), then, at and after the effective date of the transaction, the right to convert each share of Convertible Preferred Stock will be changed into a right to convert each such share of Convertible Preferred Stock into the kind and amount of shares of stock, other securities or other property or assets (including cash or any combination thereof) that a holder of a number of shares of the Common Stock equal to the Conversion Rate immediately prior to such transaction would have owned or been entitled to receive (the "Reference Property") upon such transaction. If the transaction causes the Common Stock to be converted into, or exchanged for, the right to receive more than a single type of consideration (determined based in part upon any form of stockholder election), the Reference Property into which the shares of Convertible Preferred Stock will be convertible will be deemed to be the weighted average of the types and amounts of consideration received by the holders of the Common Stock that affirmatively make such an election. The Corporation will notify holders of the weighted average as soon as practicable after such determination is made. The Corporation agrees not to become a party to any such transaction unless its terms are consistent with the foregoing. Within five (5) Business Days after the Effective Date of any of the foregoing events, the Corporation shall provide written notice to the each Holder of the Convertible Preferred Stock of the completion of the transaction, the effect of such transaction on such Holder's Convertible Preferred Stock, and a description of the material terms of any consideration payable or issuable to such Holder in respect of such Holder's Convertible Preferred Stock, including the designations, rights, privileges and preferences of any securities.

SECTION 9. Special Rights Upon a Fundamental Change.

(a) In the event that the Corporation is a party to a transaction or event described in clauses (a) or (b) of the definition of Fundamental Change, the Corporation must give notice of each such Fundamental Change ("Fundamental Change Notice") to all record holders of the Convertible Preferred Stock at least twenty (20) Business Days prior to the anticipated Effective Date of the Fundamental Change.

(b) A Holder shall be entitled to elect an optional conversion of its Convertible Preferred Stock in accordance with Section 6(a) at any time on or before the Effective Date of such Fundamental Change. If a Holder elects not to exercise its conversion rights pursuant to Section 6 and this Section 9, such Holder's Convertible Preferred Stock shall remain issued and outstanding and all other rights, privileges and preferences of the Convertible Preferred Stock set forth in this Certificate of Designation shall remain fully vested in each such Holder of Convertible Preferred Stock.

(c) The Fundamental Change Notice shall be given by first-class mail to each record Holder of shares of Convertible Preferred Stock, at such Holder's address as the same appears on the books of the Corporation. Each such notice shall state (i) the anticipated Effective Date; (ii) that if optional conversion is elected by a Holder of Convertible Preferred Stock in connection with the Fundamental Change, all declared and unpaid dividends on the shares of Convertible Preferred Stock shall accrue to the Effective Date of the Fundamental Change.

(d) Upon any such conversion of any share of Convertible Preferred Stock in connection with a Fundamental Change, the holder thereof shall also be entitled to receive a sum, in cash, equal to all declared and unpaid dividends thereon to the Effective Date of the Fundamental Change.

(e) The Corporation shall deliver the shares of the Common Stock (in respect of the conversion obligation) and cash (in respect of any fractional shares and unpaid dividends) deliverable upon conversion no later than the fourth Trading Day immediately following the Effective Date of the Fundamental Change.

(f) On or before the Effective Date of the Fundamental Change, each Holder of shares of Convertible Preferred Stock wishing to exercise its conversion right pursuant to this Section 9 shall surrender the certificate or certificates representing the shares of Convertible Preferred Stock to be converted, in the manner and at the place designated in the Fundamental Change Notice.

(g) Within five (5) Business Days after the Effective Date of any Fundamental Transaction, the Corporation shall provide written notice to the each Holder of the Convertible Preferred Stock of the completion of the Fundamental Transaction, the effect of such transaction on such Holder's Convertible Preferred Stock, and a description of the material terms of any consideration payable or issuable to such Holder in respect of such Holder's Convertible Preferred Stock, including the designations, rights, privileges and preferences of any securities.

SECTION 10. Fractional Shares. If, upon conversion of the Convertible Preferred Stock, a holder would be entitled to receive a fractional interest in a share of the Common Stock, the Corporation will, upon conversion, pay in lieu of such fractional interest, cash in an amount equal to the product of (a) the Closing Sale Price of a share of Common Stock on the Trading Day immediately preceding the date on which shares of Common Stock are issued upon conversion of a share of Convertible Preferred Stock, and (b) such fraction of a share.

SECTION 11. Convertible Preferred Stock Not Redeemable or Exchangeable at Option of Holders; No Sinking Fund. Except as set forth in Section 3, the Convertible Preferred Stock shall not be redeemable upon the request of Holders thereof or exchangeable for other capital stock or indebtedness of the Corporation or other property upon the request of holders thereof. The shares of Convertible Preferred Stock shall not be subject to the operation of a purchase, retirement or sinking fund.

SECTION 12. Voting Rights.

(a) Except as otherwise required by applicable law or as set forth herein, the shares of Convertible Preferred Stock shall be voted equally with the shares of Common Stock as a single class with respect to all matters submitted to the holders of Common Stock at any annual or special meeting of stockholders of the Corporation, or the holders of Convertible Preferred Stock may act by written consent in the same manner as Common Stock, upon the following basis: each holder of one or more shares of Convertible Preferred Stock shall be entitled to notice of any stockholders' meeting in accordance with the DGCL and the Bylaws of the Corporation and to such number of votes for the shares of Convertible Preferred Stock held by such holder immediately after the close of business on the record date fixed for such meeting, or on the effective date of such written consent, as shall be equal to the number of whole shares of Common Stock equal to the number of such shares of Convertible Preferred Stock multiplied by the Voting Conversion Rate. Fractional votes shall not, however, be permitted and any fractional voting rights resulting from the above formula with respect to any holder of Convertible Preferred Stock shall be rounded to the nearest whole number (with one-half rounded upward to one).

(b) From and after the Issue Date until such time as at least fifty-one percent (51%) of the authorized and issued shares of Convertible Preferred Stock have been converted or redeemed, without the consent or affirmative vote of the Holders of at least sixty-six and two-thirds percent (66 and 2/3%) of the outstanding shares of Convertible Preferred Stock, voting separately as a class, the Corporation shall not: (i) authorize, create or issue any shares of any other class or series of Parity Stock (or any security convertible into Parity Stock), or (ii) amend, alter or repeal any provision of the Certificate of Incorporation or Bylaws of the Corporation in a manner that adversely affects the powers, preferences or rights of the Convertible Preferred Stock. From and after the date on which at least fifty-one percent (51%) of the authorized and issued shares of Convertible Preferred Stock are no longer outstanding, the consent required of the holders of outstanding shares of Convertible Preferred Stock, voting separately as a class, pursuant to this paragraph (b) of Section 12 shall be reduced from sixty-six and two-thirds percent (66 and 2/3%) to a majority of the outstanding shares of Convertible Preferred Stock.

SECTION 13. Restrictive Covenant. As long as any shares of Convertible Preferred Stock are outstanding, unless the Holders of at least sixty-six and two-thirds percent (66 and 2/3%) of the outstanding shares of Convertible Preferred Stock, voting separately as a class, shall have otherwise given prior written consent, the Corporation shall not: (a) directly or indirectly incur or guarantee, assume or suffer to exist any Indebtedness, other than Permitted Indebtedness; or (b) authorize, create or issue any shares of any class or series of Senior Stock (or any security convertible into Senior Stock).

SECTION 14. Status of Convertible Preferred Stock Upon Retirement. Shares of Convertible Preferred Stock that are converted pursuant to Section 6 or Section 9 shall be retired pursuant to Section 243 of the DGCL, or any successor provision, and thereupon shall return to the status of authorized and unissued shares of Preferred Stock of the Corporation without designation as to series. Upon the conversion pursuant to Section 6 or Section 9 of all outstanding shares of Convertible Preferred Stock, all provisions of this Certificate of Designation shall cease to be of further effect. Upon the occurrence of such event, the Board of Directors of the Corporation shall have the power, pursuant to the Section 151(g) of the DGCL, or any successor provision, and without stockholder action, to cause this Certificate of Designation to be eliminated from the Corporation's Certificate of Incorporation.

SECTION 15. Certificates. Ownership of shares of Convertible Preferred Stock shall be evidenced by certificates issued by the Corporation to each Holder in accordance with the DGCL and the Corporation's Certificate of Incorporation and Bylaws.

SECTION 16. Transfer, Payment and Conversion. The Convertible Preferred Stock may be presented to the Corporation at its principal place of business for transfer, payment or conversion. The Corporation also shall maintain or cause to be maintained a register in which, subject to such reasonable regulations as it may prescribe, the Corporation shall provide for the registration of shares of Convertible Preferred Stock and of transfers of shares of Convertible Preferred Stock for the purpose of registering shares of Convertible Preferred Stock and of transfers of shares of Convertible Preferred Stock as herein provided. The initial registrar for the Convertible Preferred Stock shall be the Corporation.

The Corporation may appoint one or more additional transfer agents, paying agents and/or conversion agents in such other locations as it shall determine. The term "Transfer Agent" includes any additional transfer agent, the term "Paying Agent" includes any additional paying agent, and the term "Conversion Agent" includes any additional conversion agent. The Corporation may change any Transfer Agent, Paying Agent or Conversion Agent without prior notice to any holder.

SECTION 17. Certain Other Provisions.

(a) Whenever the Corporation is required to provide notice to Holders of the Convertible Preferred Stock of a mandatory conversion, optional redemption or Fundamental Change, in addition to any other notice hereunder, the Corporation shall issue a press release containing such information for publication on the Dow Jones News Service or Bloomberg Business News (or if such services are not available, another broadly disseminated news or press release service selected by it).

(b) All notice periods referred to herein shall commence on the date of the mailing of the applicable notice. Notice to any holder of the Convertible Preferred Stock shall be given to the registered address set forth in the Corporation's records for such holder, or for Global Preferred Shares, to the Depositary in accordance with its procedures.

(c) With respect to any notice to a Holder of shares of Convertible Preferred Stock required to be provided hereunder, neither failure to mail such notice, nor any defect therein or in the mailing thereof, to any particular Holder shall affect the sufficiency of the notice or the validity of the proceedings referred to in such notice with respect to the other Holders or affect the legality or validity of any distribution, rights, warrant, reclassification, consolidation, merger, conveyance, transfer, dissolution, liquidation or winding-up, or the vote upon any such action. Any notice which was mailed in the manner herein provided shall be conclusively presumed to have been duly given whether or not the holder receives the notice.

(d) Any payments required to be made hereunder on any day that is not a Business Day shall be made on the next succeeding Business Day without interest or additional payment for such delay. Unless otherwise stated herein, any actions required to be made hereunder on any day that is not a Business Day shall be taken on the next succeeding Business Day.

(e) Holders of Convertible Preferred Stock shall not be entitled to any preemptive rights to acquire additional capital stock of the Corporation.

(f) Notwithstanding any provision herein to the contrary, if as a result of the occurrence of events beyond the Corporation's control, the required adjustment to the Conversion Rate pursuant to this Certificate of Designation would require the Corporation to obtain stockholder approval in accordance with the stockholder approval rules of The Nasdaq Capital Market or the principal stock exchange on which the Common Stock is listed at the relevant time (such adjusted Conversion Rate requiring stockholder approval, the "Fully Adjusted Conversion Rate"), then the Corporation shall (A) initially adjust the Conversion Rate up to the max imum Conversion Rate (not to exceed the Fully Adjusted Conversion Rate) that would not require such stockholder approval (the "Partially Adjusted Conversion Rate"), and (B) promptly seek stockholder approval necessary to permit the Fully Adjusted Conversion Rate. Upon receipt of such stockholder approval, the Corporation shall further adjust the Partially Adjusted Conversion Rate to equal the Fully Adjusted Conversion Rate, as such Conversion Rate may be further adjusted pursuant to the Certificate of Designation.

(g) The headings of the various subdivisions hereof are for convenience of reference only and shall not affect the interpretation of any of the provisions hereof.

(h) This Certificate of Designation shall become effective upon the filing thereof with the Secretary of State of the State of Delaware.

[*Remainder of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, Celsion Corporation has caused this certificate to be signed by Jeffrey W. Church, Secretary, this 13th day of January, 2011.

CELSION CORPORATION

By */s/ Jeffrey W. Church*
Name: Jeffrey W. Church
Title: Secretary

EXHIBIT 4.1

NUMBER	**SHARES**

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE

[Graphic: Logo]

CELSION CORPORATION

5,350 Shares $.01 Par Value
8% Series A Redeemable Convertible Preferred Stock

This Certifies that _____ is the owner of _____ fully paid and non-assessable Shares of the above Corporation transferable only on the books of the Corporation by the holder hereof in person or by duly authorized Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers and to be sealed with the Seal of the Corporation.

Dated: _____

[CORPORATE SEAL]

Jeffrey W. Church
Vice President and Chief Financial Officer

/s/Timothy J. Tumminello
Timothy J. Tumminello
Assistant Secretary, Controller and Chief Accounting Officer

The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations. Additional abbreviations may also be used though not in the list.

TEN COM - **as tenants in common**

TEN ENT - as tenants by the entireties

JT TEN - as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT - _____
(Cust) (Minor)

under Uniform Gifts to Minors Act

&# 160; _____
 0; (State)

UNIF TRF MIN ACT - _____
(Cust) (Minor)

under Uniform Transfer to Minors Act

_____

(State)

For value received, _____ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY NUMBER OR
OTHER IDENTIFYING NUMBER OF ASSIGNEE

--- ---

_____
(Please print or typewrite name and address of assignee)

_____

_____ Shares represented by the within Certificate, and do hereby irrevocably constitutes and appoints

_____ Attorney to transfer the said shares on the books of the within-named Corporation with full power of substitution in the premises.

Dated: _____

_____
In presence of

_____

NOTICE: The signature to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement, or any change whatever.

EXHIBIT 4.2

CELSION CORPORATION

WARRANT TO PURCHASE COMMON STOCK

Warrant No.: PS-A-
Number of Shares of Common Stock:_____
Date of Issuance: January 14, 2011 ("**Issuance Date**")

Celsion Corporation, a Delaware corporation (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, [_____], the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase Common Stock (including any Warrants to Purchase Common Stock issued in exchange, transfer or replacement hereof, the "**Warrant**"), at any time or times on or after the date six (6) months a fter the Issuance Date (the "**Exercisability Date**"), but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), [_____] ([_____]) fully paid nonassessable shares of Common Stock (as defined below) (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16. This Warrant is one of a series of similar warrants to purchase Common Stock issued pursuant to that certain Securities Purchase Agreement (the "**Securities Purchase Agreemen**t") dated as of January 12, 2011 (the "**Subscription Date** 1;).

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof, this Warrant may be exercised by the Holder on any day on or after the Exercisability Date, in whole or in part, by delivery of a written notice, in the form attached hereto as Exhibit A (the "**Exercise Notice**"), of the Holder's election to exercise this Warrant. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder, but shall deliver the original Warrant within five (5) days thereafter. 0; Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the first (1st) Business Day following the date on which the Company has received the Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Notice to the Holder and American Stock Transfer & Trust Company, the Company's transfer Agent ("**Transfer Agent**"). On or before the third (3rd) Business Day following the date on which the Company has received the Exercise Notice (the "**Share Delivery Date**"), the Company shall (X) pr ovided that the Transfer Agent is participating in The Depository Trust Company ("**DTC**") Fast Automated Securities Transfer Program, upon the request of the Holder, credit such aggregate number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the Holder's or its designee's balance account with DTC through its Deposit Withdrawal Agent Commission system, or (Y) if the Transfer Agent is not participating in the DTC Fast Automated Securities Transfer Program, or if the Registration Statement is not effective at the time this Warrant is exercised, issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company's share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date such Warrant Shares are credited to the Holder's DTC account or the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Section 7(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Common Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Common Stock to be issued shall be rounded down to the nearest whole number. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means $3.25, subject to adjustment as provided herein.

(c) Company's Failure to Timely Deliver Securities. If the Company shall fail for any reason or for no reason to issue to the Holder within three (3) Business Days of receipt of the Exercise Notice in compliance with the terms of this Section 1, a certificate for the number of shares of Common Stock to which the Holder is entitled and register such shares of Common Stock on the Company's share register or to credit the Holder's balance account with DTC for such number of shares of Common Stock to which the Holder is entitled upon the Holder's exercise of this Warrant, an d if on or after such Trading Day the Holder purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by the Holder of shares of Common Stock issuable upon such exercise that the Holder anticipated receiving from the Company (a "**Buy-In**"), then the Company shall, within three (3) Business Days after the Holder's request and in the Holder's discretion, either (i) pay cash to the Holder in an amount equal to the Holder's total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased (the "**Buy-In Price**"), at which point the Company's obligation to deliver such certificate (and to issue such Warrant Shares) shall terminate, or (ii) promptly honor its obligation to deliver to the Holder a certificate or certificates representing such Warrant Shares and pay cash to the Holder in an amount equal to the excess (if any) of the Buy-In Price over the product of (A) such number of shares of Common Stock, times (B) the Closing Bid Price on the date of exercise.

(d) Payment of Exercise Price. The Company shall promptly, and in no case later than the Business Day immediately following such receipt, confirm receipt of an Exercise Notice via facsimile to the number specified in such Exercise Notice. Within two (2) Trading Days of the date of the Exercise Notice, the Holder shall make payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or by wire transfer of immediately available funds.

(e) Cashless Exercise. Notwithstanding anything contained herein to the contrary, if the Registration Statement covering the Warrant Shares that are the subject of the Exercise Notice (the **"Unavailable Warrant Shares"**), or an exemption from registration**,** is not available for the resale of such Unavailable Warrant Shares as of the date the Company receives an Exercise Notice with respect to such Unavailable Warrant Shares, the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making th e cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price pursuant to paragraph (d) above, elect instead to receive upon such exercise the **"Net Number"** of shares of Common Stock determined according to the following formula (a **"Cashless Exercise"**):

X = Y [(A-B)/A]

where:

X = the Net Number of Warrant Shares to be issued to the Holder.

Y = the number of Warrant Shares with respect to which this Warrant is being exercised.

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the Exercise Price.

For the avoidance of doubt, if the Registration Statement is available at the time this Warrant is exercised, the Holder shall have no rights under this paragraph (e) to cashless exercise and the Warrant shall only be exercisable for the Exercise Price payable in cash.

(f) Rule 144. For purposes of Rule 144(d) promulgated under the Securities Act, as in effect on the date hereof, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued pursuant to the Securities Purchase Agreement.

(g) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed.

(h) Beneficial Ownership. The Holder shall not have the right to exercise this Warrant, to the extent that after giving effect to such exercise, such Person (together with such Person's affiliates) would beneficially own in excess of 4.99% (the "**Maximum Percentage**") of the shares of Common Stock outstanding immediately after giving effect to such exercise. The Company shall be entitled to rely on Holder's exercise notice as an indication that Holder will not, pursuant to such exercise, exceed the Maximum Percentage. For purposes of the foregoing sentence, th e aggregate number of shares of Common Stock beneficially owned by such Person and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which the determination of such sentence is being made, but shall exclude shares of Common Stock which would be issuable upon (i) exercise of the remaining, unexercised portion of this Warrant beneficially owned by such Person and its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company beneficially owned by such Person and its affiliates (including, without limitation, any convertible notes or convertible preferred stock or warrants) subject to a limitation on conversion or exercise analogous to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this paragraph, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934, as amende d. For purposes of this Warrant, in determining the number of outstanding shares of Common Stock, the Holder may rely on the number of outstanding shares of Common Stock as reflected in (1) the Company's most recent Form 10-K, Form 10-Q, Current Report on Form 8-K or other public filing with the Securities and Exchange Commission, as the case may be, (2) a more recent public announcement by the Company or (3) any other notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. For any reason at any time, upon the written or oral request of the Holder, the Company shall within two (2) Business Days confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder and its affiliates since the da te as of which such number of outstanding shares of Common Stock was reported. By written notice to the Company, the Holder may from time to time increase or decrease the Maximum Percentage to any other percentage not in excess of 9.99% specified in such notice; provided that (i) any such increase will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company, and (ii) any such increase or decrease will apply only to the Holder. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 1(g) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended beneficial ownership limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Adjustment upon Subdivision or Combination of Common Stock. If the Company at any time on or after the Subscription Date subdivides (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Subscription Date combines (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) one or more classes of it s outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(a) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions, then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; *provided* that no such adjustment pursuant to this Section 2(b) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2.

3. RIGHTS UPON DISTRIBUTION OF ASSETS. If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of cash, stock or other securities, property or options by way of a dividend, stock split, spin off, subdivision, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "**Distribution**"), at any time after the issuance of this Warrant, then, in each such case:

(a) any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the Closing Bid Price of the shares of Common Stock on the Trading Day immediately preceding such record date minus the value of the Distribution (as determined in good faith by the Company's Board of Directors) applicable to one share of Common Stock, and (ii) the denominator shall be the Closing Bid Price of the shares of Common Stock on the Trading D ay immediately preceding such record date; and

(b) the number of Warrant Shares shall be increased or decreased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding paragraph (a); *provided* that in the event that the Distribution is of shares of Common Stock (or common stock) ("**Other Shares of Common Stock**") of a company whose common shares are traded on a national securities exchange or a national automated quotation system, then the Holder may elect to receive a warrant to purchase Other Shares of Common Stock in lieu of an adjustment in the number of Warrant Shares, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of Other Shares of Common Stock that would have been payable to the Holder pursuant to the Distribution had the Holder exercised this Warrant immediately prior to such record date and with an aggregate exercise price equal to the product of the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding paragraph (a) and the number of Warrant Shares calculated in accordance with the first part of this paragraph (b).

4. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limita tions on the exercise of this Warrant) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(b) In connection with any Fundamental Transaction, the Company shall make appropriate provision so that this Warrant shall thereafter be exercisable for shares of the Successor Entity based upon the conversion ratio or other consideration payable in the Fundamental Transaction. The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the exercise of this Warrant.

In the event that any person becomes a Parent Entity of the Company, such person shall assume all of the obligations of the Company under this Warrant with the same effect as if such person had been named as the Company herein.

5. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as this Warrant is outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Common Stock, solely for the purpose of effecting the exercise of this Warrant, 100% of the number of shares of Common Stock issuable upon exercise of this Warrant then outstanding (without regard to any limitations on exercise).

6. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger , conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

7. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 7(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less then the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 7(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 7(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 7(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 7(a) or Section 7(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

8. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with Section 9.4 of the Securities Purchase Agreement. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefore.

9. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder.

10. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

11. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

12. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

13. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant.

14. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company.

15. WARRANT AGENT. The Company shall serve as warrant agent under this Warrant. Upon 30 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or stockholder services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succes sion as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**Bloomberg**" means Bloomberg Financial Markets.

(b) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or the last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchang e or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on su ch date shall be the fair market value as mutually determined by the Company and the Holder. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(d) "**Common Stock**" means (i) the Company's shares of Common Stock, par value $0.01 per share, and (ii) any share capital into which such Common Stock shall have been changed or any share capital resulting from a reclassification of such Common Stock.

(e) "**Eligible Market**" means the Principal Market, The New York Stock Exchange, Inc., The American Stock Exchange or The NASDAQ Capital Market.

(f) "**Expiration Date**" means the date sixty-six (66) months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a "**Holiday**"), the next date that is not a Holiday.

(g) "**Fundamental Transaction**" means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of

Common Stock held by the Person or Persons making or party to, or associated or affiliated w ith the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), (v) reorganize, recapitalize or reclassify its Common Stock, or (vi) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstandi ng Common Stock.

(h) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(i) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(j) "**Principal Market**" means The NASDAQ Capital Market.

(k) "**Registration Statement**" means a registration statement on Form S-1, Form S-3, or such other eligible registration form as determined in the sole discretion of the Company which registers the resale of the Warrant Shares pursuant to Rule 415 promulgated under the Securities Act.

(l) "**Securities Act**" means the Securities Act of 1933, as amended.

(m) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(n) "**Trading Day**" means any day on which the Common Stock are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock are then traded; provided that "Trading Day" shall not include any day on which the Common Stock are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such excha nge or market, then during the hour ending at 4:00:00 p.m., New York time).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the Issuance Date set out above.

CELSION CORPORATION

By: */s/ Jeffrey W. Church*

Name: Jeffrey W. Church

Title: Vice President and Chief Financial Officer

EXHIBIT A

EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE COMMON STOCK

CELSION CORPORATION

The undersigned holder hereby exercises the right to purchase _____ of the shares of Common Stock ("**Warrant Shares**") of Celsion Corporation, a Delaware corporation (the "**Company**"), evidenced by the attached Warrant to Purchase Common Stock (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder's payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares (only if permitted pursuant to Section 1(e) of the Warrant).

2. Payment of Exercise Price. In the event that the Holder conducted a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the Holder _____ Warrant Shares in accordance with the terms of the Warrant.

4. Confirmation. Please send confirmation of receipt of this Exercise Notice to the following facsimile number: _____.

Date: _____ __, _____

_____
Name of Registered Holder

By: _____
Name:
Title:

ACKNOWLEDGMENT

The Company hereby acknowledges this Exercise Notice and hereby directs American Stock Transfer & Trust Company to issue the above indicated number of shares of Common Stock in accordance with the Transfer Agent Instructions dated _____, 201_ from the Company and acknowledged and agreed to by American Stock Transfer & Trust Company.

CELSION CORPORATION

By: _____
Name:
Title:

CELSION CORPORATION

WARRANT TO PURCHASE 8% SERIES A REDEEMABLE CONVERTIBLE PREFERRED STOCK

Warrant No.: PS-B-1
Number of Shares of 8% Series A Redeemable Convertible Preferred Stock: 350
Date of Issuance: January 14, 2011 ("**Issuance Date**")

Celsion Corporation, a Delaware corporation (the "**Company**"), hereby certifies that, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Dominick & Dominick LLC, the registered holder hereof or its permitted assigns (the "**Holder**"), is entitled, subject to the terms set forth below, to purchase from the Company, at the Exercise Price (as defined below) then in effect, upon surrender of this Warrant to Purchase 8% Series A Redeemable Convertible Preferred Stock (including any Warrants to Purchase 8% Series A Redeemable Convertible Preferred Stock issued in exchange, transfer or replacement hereof, the "Warrant"), at any time or times on or after the date six (6) months after the Issuance Date (the "**Exercisability Date**"), but not after 11:59 p.m., New York time, on the Expiration Date (as defined below), Three Hundred Fifty (350) fully paid nonassessable shares of Preferred Stock (as defined below) (the "**Warrant Shares**"). Except as otherwise defined herein, capitalized terms in this Warrant shall have the meanings set forth in Section 16.

1. EXERCISE OF WARRANT.

(a) Mechanics of Exercise. Subject to the terms and conditions hereof, this Warrant may be exercised by the Holder on any day on or after the Exercisability Date, in whole or in part, by delivery of a written notice, in the form attached hereto as Exhibit A (the "**Exercise Notice**"), of the Holder's election to exercise this Warrant. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder, but shall deliver the original Warrant within five (5) days thereafter. 0; Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the first (1st) Business Day following the date on which the Company has received the Exercise Notice, the Company shall transmit by facsimile an acknowledgment of confirmation of receipt of the Exercise Notice to the Holder. On or before the third (3rd) Business Day following the date on which the Company has received the Exercise Notice (the "**Share Delivery Date**"), the Company shall issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company's share register in the name of the Ho lder or its designee, for the number of shares of Preferred Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Notice, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares, as the case may be. If this Warrant is submitted in connection with any exercise pursuant to this Section 1(a) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable and in no event later than three (3) Business Days after any exercise and at its own expense, issue a new Warrant (in accordance with Sectio n 6(d)) representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised. No fractional shares of Preferred Stock are to be issued upon the exercise of this Warrant, but rather the number of shares of Preferred Stock to be issued shall be rounded down to the nearest whole number. The Company shall pay any and all taxes which may be payable with respect to the issuance and delivery of Warrant Shares upon exercise of this Warrant.

(b) Exercise Price. For purposes of this Warrant, "**Exercise Price**" means $1,000, subject to adjustment as provided herein.

(c) Payment of Exercise Price. The Company shall promptly, and in no case later than the Business Day immediately following such receipt, confirm receipt of an Exercise Notice via facsimile to the number specified in such Exercise Notice. Within two (2) Trading Days of the date of the Exercise Notice, the Holder shall make payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the "**Aggregate Exercise Price**") in cash or by wire transfer of immediately available funds.

(d) Cashless Exercise. Notwithstanding anything contained herein to the contrary, if the Registration Statement covering the Warrant Shares that are the subject of the Exercise Notice (the **"Unavailable Warrant Shares"**), or an exemption from registration**,** is not available for the resale of such Unavailable Warrant Shares as of the date the Company receives an Exercise Notice with respect to such Unavailable Warrant Shares, the Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making th e cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price pursuant to paragraph (d) above, elect instead to receive upon such exercise the **"Net Number"** of shares of Common Stock determined according to the following formula (a **"Cashless Exercise"**):

X = Y [(A-B)/A]

where:

X = the Net Number of shares of Common Stock to be issued to the Holder.

Y = the number of shares of Common Stock issuable upon conversion of the Unavailable Warrant Shares with respect to which this Warrant is being exercised.

A = the average of the Closing Prices for the five Trading Days immediately prior to (but not including) the Exercise Date.

B = the conversion price of the Preferred Stock set forth in the Certificate of Designation therefore.

Any such cashless exercise of Preferred Stock shall be deemed a simultaneous exercise of the Unavailable Warrant Shares and conversion to Common Stock of the Warrant Shares. For the avoidance of doubt, if the Registration Statement is available at the time this Warrant is exercised, the Holder shall have no rights under this paragraph (e) to cashless exercise and the Warrant shall only be exercisable for the Exercise Price payable in cash.

(e) Rule 144. For purposes of Rule 144(d) promulgated under the Securities Act, as in effect on the date hereof, it is intended that the Warrant Shares issued in a Cashless Exercise shall be deemed to have been acquired by the Holder, and the holding period for the Warrant Shares shall be deemed to have commenced, on the date this Warrant was originally issued.

(f) Disputes. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall promptly issue to the Holder the number of Warrant Shares that are not disputed.

2. ADJUSTMENT OF EXERCISE PRICE AND NUMBER OF WARRANT SHARES. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) Adjustment upon Subdivision or Combination of Common Stock. If the Company at any time on or after the Issuance Date subdivides (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) the Preferred Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the Issuance Date combines (by any stock split, stock dividend, recapitalization, reorganization, scheme, arrangement or otherwise) the Preferred Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(a) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) Other Events. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions, then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder; *provided* that no such adjustment pursuant to this Section 2(b) will increase the Exercise Price or decrease the number of Warrant Shares as otherwise determined pursuant to this Section 2.

3. PURCHASE RIGHTS; FUNDAMENTAL TRANSACTIONS.

(a) Purchase Rights. In addition to any adjustments pursuant to Section 2 above, if at any time the Company grants, issues or sells any rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Preferred Stock (the "**Purchase Rights**"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Preferred Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on the exercise of this Warrant) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Preferred Stock are to be determined for the grant, issue or sale of such Purchase Rights.

(b) In connection with any Fundamental Transaction, the Company shall make appropriate provision so that this Warrant shall thereafter be exercisable for shares of the Successor Entity based upon the conversion ratio or other consideration payable in the Fundamental Transaction. The provisions of this Section shall apply similarly and equally to successive Fundamental Transactions and shall be applied without regard to any limitations on the exercise of this Warrant.

In the event that any person becomes a Parent Entity of the Company, such person shall assume all of the obligations of the Company under this Warrant with the same effect as if such person had been named as the Company herein.

4. NONCIRCUMVENTION. The Company hereby covenants and agrees that the Company will not, by amendment of its Certificate of Incorporation, Bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Preferred Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable shares of Preferred Stock upon the exercise of this Warrant, and (iii) shall, so long as this Warrant is outstanding, take all action necessary to reserve and keep available out of its authorized and unissued shares of Preferred Stock, solely for the purpose of effecting the exercise of this Warrant, 100% of the number of shares of Preferred Stock issuable upon exercise of this Warrant then outstanding (without regard to any limitations on exercise).

5. WARRANT HOLDER NOT DEEMED A STOCKHOLDER. Except as otherwise specifically provided herein, the Holder, solely in such Person's capacity as a holder of this Warrant, shall not be entitled to vote or receive dividends or be deemed the holder of share capital of the Company for any purpose, nor shall anything contained in this Warrant be construed to confer upon the Holder, solely in such Person's capacity as the Holder of this Warrant, any of the rights of a stockholder of the Company or any right to vote, give or withhold consent to any corporate action (whether any reorganization, issue of stock, reclassification of stock, consolidation, merger , conveyance or otherwise), receive notice of meetings, receive dividends or subscription rights, or otherwise, prior to the issuance to the Holder of the Warrant Shares which such Person is then entitled to receive upon the due exercise of this Warrant. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a stockholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

6. REISSUANCE OF WARRANTS.

(a) Transfer of Warrant. If this Warrant is to be transferred, the Holder shall surrender this Warrant to the Company, whereupon the Company will forthwith issue and deliver upon the order of the Holder a new Warrant (in accordance with Section 6(d)), registered as the Holder may request, representing the right to purchase the number of Warrant Shares being transferred by the Holder and, if less then the total number of Warrant Shares then underlying this Warrant is being transferred, a new Warrant (in accordance with Section 6(d)) to the Holder representing the right to purchase the number of Warrant Shares not being transferred.

(b) Lost, Stolen or Mutilated Warrant. Upon receipt by the Company of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant, and, in the case of loss, theft or destruction, of any indemnification undertaking by the Holder to the Company in customary form and, in the case of mutilation, upon surrender and cancellation of this Warrant, the Company shall execute and deliver to the Holder a new Warrant (in accordance with Section 6(d)) representing the right to purchase the Warrant Shares then underlying this Warrant.

(c) Exchangeable for Multiple Warrants. This Warrant is exchangeable, upon the surrender hereof by the Holder at the principal office of the Company, for a new Warrant or Warrants (in accordance with Section 6(d)) representing in the aggregate the right to purchase the number of Warrant Shares then underlying this Warrant, and each such new Warrant will represent the right to purchase such portion of such Warrant Shares as is designated by the Holder at the time of such surrender; provided, however, that no Warrants for fractional shares of Common Stock shall be given.

(d) Issuance of New Warrants. Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant (i) shall be of like tenor with this Warrant, (ii) shall represent, as indicated on the face of such new Warrant, the right to purchase the Warrant Shares then underlying this Warrant (or in the case of a new Warrant being issued pursuant to Section 6(a) or Section 6(c), the Warrant Shares designated by the Holder which, when added to the number of shares of Common Stock underlying the other new Warrants issued in connection with such issuance, does not exceed the number of Warrant Shares then underlying this Warrant), (iii) shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date, and (iv) shall have the same rights and conditions as this Warrant.

7. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with the Placement Agency Agreement by and between the Holder and the Company dated as of January 3, 2011. The Company shall provide the Holder with prompt written notice of all actions taken pursuant to this Warrant, including in reasonable detail a description of such action and the reason therefore.

8. AMENDMENT AND WAIVER. Except as otherwise provided herein, the provisions of this Warrant may be amended and the Company may take any action herein prohibited, or omit to perform any act herein required to be performed by it, only if the Company has obtained the written consent of the Holder.

9. GOVERNING LAW. This Warrant shall be governed by and construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Warrant shall be governed by, the internal laws of the State of New York, without giving effect to any choice of law or conflict of law provision or rule (whether of the State of New York or any other jurisdictions) that would cause the application of the laws of any jurisdictions other than the State of New York.

10. CONSTRUCTION; HEADINGS. This Warrant shall be deemed to be jointly drafted by the Company and the Holder and shall not be construed against any person as the drafter hereof. The headings of this Warrant are for convenience of reference and shall not form part of, or affect the interpretation of, this Warrant.

11. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price or the arithmetic calculation of the Warrant Shares, the Company shall submit the disputed determinations or arithmetic calculations via facsimile within two (2) Business Days of receipt of the Exercise Notice giving rise to such dispute, as the case may be, to the Holder. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price or the Warrant Shares within three Business Days of such disputed determination or arithmetic calculation being submitted to the Holder, then the Company shall, within two (2) Business Days submit via facsimile (a) the disputed determination of the Exercise Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (b) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten Business Days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent demonstrable error.

12. REMEDIES, OTHER OBLIGATIONS, BREACHES AND INJUNCTIVE RELIEF. The remedies provided in this Warrant shall be cumulative and in addition to all other remedies available under this Warrant, at law or in equity (including a decree of specific performance and/or other injunctive relief), and nothing herein shall limit the right of the Holder to pursue actual damages for any failure by the Company to comply with the terms of this Warrant.

13. TRANSFER. This Warrant may be offered for sale, sold, transferred or assigned without the consent of the Company.

14. WARRANT AGENT. The Company shall serve as warrant agent under this Warrant. Upon 30 days' notice to the Holder, the Company may appoint a new warrant agent. Any corporation into which the Company or any new warrant agent may be merged or any corporation resulting from any consolidation to which the Company or any new warrant agent shall be a party or any corporation to which the Company or any new warrant agent transfers substantially all of its corporate trust or stockholder services business shall be a successor warrant agent under this Warrant without any further act. Any such successor warrant agent shall promptly cause notice of its succes sion as warrant agent to be mailed (by first class mail, postage prepaid) to the Holder at the Holder's last address as shown on the Warrant Register.

15. Mandatory Conversion or Redemption of Preferred Stock.

(a) In the event that a mandatory conversion is effected with respect to the Preferred Stock during the term that this Warrant is outstanding (a "**Mandatory Conversion**"), this Warrant shall immediately and automatically become exercisable for that number of shares of Common Stock into which the Warrant Shares are convertible as of the effective date of the Mandatory Conversion at an exercise price equal to the conversion price at which the shares of Preferred Stock were converted to Common Stock on the date of the Mandatory Conversion. In such event and at the request of the Holder or the Company, this Warrant shall be surrendered for an equivalent warrant to purchase shares of Common Stock (the "**Replacement Common Stock Warrant**") as provided in this paragraph (a) and with substantially the same terms and conditions as this Warrant.

(b) In the event that a mandatory redemption occurs with respect to the Preferred Stock on January 14, 2013 (the "**Mandatory Redemption Date**") and this Warrant is outstanding as of such date, the Holder may either (i) exercise this Warrant and receive the redemption price payable in respect of the Warrant Shares in accordance with the terms of the Preferred Stock, or (ii) notify the Company at least three business days prior to the Mandatory Redemption Date of its election to convert this Warrant to a Replacement Common Stock Warrant exercisable for that number of shares of Common Stock into which the Warrant Shares are convertible as of the Mandatory Rede mption Date at an exercise price equal to the conversion price of the Preferred Stock in effect as of the date of the Mandatory Redemption Date.

16. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "**Bloomberg**" means Bloomberg Financial Markets.

(b) "**Business Day**" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed.

(c) "**Closing Bid Price**" and "**Closing Sale Price**" means, for any security as of any date, the last closing bid price and last closing trade price, respectively, for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing bid price or the closing trade price, as the case may be, then the last bid price or the last trade price, respectively, of such security prior to 4:00:00 p.m., New York time, as reported by Bloomberg, or, if the Principal Market is not the principal securities exchang e or trading market for such security, the last closing bid price or last trade price, respectively, of such security on the principal securities exchange or trading market where such security is listed or traded as reported by Bloomberg, or if the foregoing do not apply, the last closing bid price or last trade price, respectively, of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, or, if no closing bid price or last trade price, respectively, is reported for such security by Bloomberg, the average of the bid prices, or the ask prices, respectively, of any market makers for such security as reported in the "pink sheets" by Pink Sheets LLC (formerly the National Quotation Bureau, Inc.). If the Closing Bid Price or the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Bid Price or the Closing Sale Price, as the case may be, of such security on su ch date shall be the fair market value as mutually determined by the Company and the Holder. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(d) "**Common Stock**" means (i) the Company's shares of Common Stock, par value $0.01 per share, and (ii) any share capital into which such Common Stock shall have been changed or any share capital resulting from a reclassification of such Common Stock.

(e) "**Eligible Market**" means the Principal Market, The New York Stock Exchange, Inc., The American Stock Exchange or The NASDAQ Capital Market.

(f) "**Expiration Date**" means the date sixty-six (66) months after the Issuance Date or, if such date falls on a day other than a Business Day or on which trading does not take place on the Principal Market (a "**Holiday**"), the next date that is not a Holiday.

(g) "**Fundamental Transaction**" means that the Company shall, directly or indirectly, in one or more related transactions, (i) consolidate or merge with or into (whether or not the Company is the surviving corporation) another Person, or (ii) sell, assign, transfer, convey or otherwise dispose of all or substantially all of the properties or assets of the Company to another Person, or (iii) allow another Person to make a purchase, tender or exchange offer that is accepted by the holders of more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the Person or Persons making or party to, or associated or affiliated w ith the Persons making or party to, such purchase, tender or exchange offer), or (iv) consummate a stock purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off or scheme of arrangement) with another Person whereby such other Person acquires more than the 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock purchase agreement or other business combination), (v) reorganize, recapitalize or reclassify its Common Stock, or (vi) any "person" or "group" (as these terms are used for purposes of Sections 13(d) and 14(d) of the Exchange Act) is or shall become the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of 50% of the aggregate ordinary voting power represented by issued and outstandi ng Common Stock.

(h) "**Parent Entity**" of a Person means an entity that, directly or indirectly, controls the applicable Person and whose common stock or equivalent equity security is quoted or listed on an Eligible Market, or, if there is more than one such Person or Parent Entity, the Person or Parent Entity with the largest public market capitalization as of the date of consummation of the Fundamental Transaction.

(i) "**Person**" means an individual, a limited liability company, a partnership, a joint venture, a corporation, a trust, an unincorporated organization, any other entity and a government or any department or agency thereof.

(j) "**Preferred Stock**" means (i) the Company's shares of 8% Series A Redeemable Convertible Preferred Stock, par value $0.01 per share, and (ii) any share capital into which such Preferred Stock shall have been changed or any share capital resulting from a reclassification of such Preferred Stock.

(k) "**Principal Market**" means The NASDAQ Capital Market.

(l) "**Registration Statement**" means a registration statement on Form S-1, Form S-3, or such other eligible registration form as determined in the sole discretion of the Company which registers the resale of the Warrant Shares pursuant to Rule 415 promulgated under the Securities Act.

(m) "**Securities Act**" means the Securities Act of 1933, as amended.

(n) "**Successor Entity**" means the Person (or, if so elected by the Holder, the Parent Entity) formed by, resulting from or surviving any Fundamental Transaction or the Person (or, if so elected by the Holder, the Parent Entity) with which such Fundamental Transaction shall have been entered into.

(o) "**Trading Day**" means any day on which the Common Stock are traded on the Principal Market, or, if the Principal Market is not the principal trading market for the Common Stock, then on the principal securities exchange or securities market on which the Common Stock are then traded; provided that "Trading Day" shall not include any day on which the Common Stock are scheduled to trade on such exchange or market for less than 4.5 hours or any day that the Common Stock are suspended from trading during the final hour of trading on such exchange or market (or if such exchange or market does not designate in advance the closing time of trading on such excha nge or market, then during the hour ending at 4:00:00 p.m., New York time).

[Signature Page Follows]

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase 8% Series A Redeemable Convertible Preferred Stock to be duly executed as of the Issuance Date set out above.

CELSION CORPORATION

By: */s/ Jeffrey W. Church*
Name: Jeffrey W. Church
Title: Vice President and Chief Financial Officer

EXHIBIT A

EXERCISE NOTICE
TO BE EXECUTED BY THE REGISTERED HOLDER TO EXERCISE THIS
WARRANT TO PURCHASE PREFERRED STOCK

CELSION CORPORATION

The undersigned holder hereby exercises the right to purchase _____ of the shares of 8% Series A Redeemable Convertible Preferred Stock ("**Warrant Shares**") of Celsion Corporation, a Delaware corporation (the "**Company**"), evidenced by the attached Warrant to Purchase 8% Series A Redeemable Convertible Preferred Stock (the "**Warrant**"). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Form of Exercise Price. The Holder's payment of the Exercise Price shall be made as:

_____ a "Cash Exercise" with respect to _____ Warrant Shares; and/or

_____ a "Cashless Exercise" with respect to _____ Warrant Shares (only if permitted pursuant to Section 1(e) of the Warrant).

2. Payment of Exercise Price. In the event that the Holder conducted a Cash Exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of $_____ to the Company in accordance with the terms of the Warrant.

3. Delivery of Warrant Shares. The Company shall deliver to the Holder _____ Warrant Shares in accordance with the terms of the Warrant.

4. Confirmation. Please send confirmation of receipt of this Exercise Notice to the following facsimile number: _____.

Date: _____ __, _____

Name of Registered Holder

By: _____
Name:
Title:

Exhibit 5.1

[Letterhead of Seyfarth Shaw LLP]

January 18, 2011

Celsion Corporation
10220-L Old Columbia Road
Columbia, Maryland 21046-2364

Re: Issuance and Sale of Units Consisting of
Shares of Preferred Stock and Warrants and Placement Agent Preferred Stock Warrants

Ladies and Gentlemen:

We have acted as legal counsel to Celsion Corporation, a Delaware corporation (the "Company") in connection with the issuance and sale by the Company of up to 5,000 units "the "Units"), consisting of up to 5,000 shares of the Company's 8% Series A Redeemable Convertible Preferred Stock, par value $0.01 per share (the "Preferred Stock"), which are convertible into up to 2,083,333 shares of the Company's common stock, par value $0.01 per share (the "Conversion Shares"), and warrants (the "Included Warrants") to purchase up to 2,083,333 shares of the Company's common stock, par value $0.01 per share (the "Warrant Shares"). The Units are being sold by the Company pursuant to (i) a Securities Purchase Agreement, dated January 12, 2011 (the "Purchase Agreement"), by and among the Company and the investors a party thereto, (ii) an effective registration statement (the "Registration Statement") on Form S-3 (File No. 333-158402) that was declared effective by the U.S. Securities and Exchange Commission (the "Commission") on April 17, 2009, the statutory prospectus included therein and the prospectus supplement dated January 12, 2011, as supplemented by the prospectus supplement dated January 13, 2011, to be filed with the Commission pursuant to Rule 424(b) promulgated under the Securities Act of 1933, as amended (the "Securities Act"), and (iii) a Placement Agency Agreement dated January 3, 2011 (the "Placement Agency Agreement") by and between the Company and Dominick & Dominick LLC, as placement agent (the "Placement Agent"), pursuant to which the Company has issued to the Placement Agent a warrant to purchase up to an additional 350 shares of Prefe rred Stock (the "Placement Agent Warrant"). This opinion is being furnished in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

We have examined originals or copies certified or otherwise identified to our satisfaction, of such documents, necessary or appropriate for purposes of rendering this opinion letter, including (a) the Certificate of Incorporation of the Company, as amended, (b) the Certificate of Designation of the Preferred Stock, (c) the By-laws of the Company, as amended, (d) the Purchase Agreement, (e) the Placement Agency Agreement, (f) the form of Included Warrant, (g) the Placement Agent Warrant; (h) the Registration Statement, (i) the prospectus supplement dated January 12, 2011, (j) the prospectus supplement dated January 13, 2011 (k) resolutions of the board of directors of the Company duly adopted on January 10, 2011, (l) a status certificate of the Department of State of the State of Delaware, dated J anuary 14, 2011, to the effect that the Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Delaware and is duly authorized to transact business in the State of Delaware, (m) a status certificate of the Department of State of the State of Maryland, dated January 14, 2011, to the effect that the Company is a corporation duly incorporated and existing under and by virtue of the laws of the State of Maryland and is duly authorized to transact business in the State of Maryland, and (n) such other documents, records and other instruments and matters of law as we have deemed necessary or appropriate for purposes of this opinion letter. In all such examinations, we have assumed the genuineness of all signatures on original and certified documents, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to executed documents of all unexecuted copies submitted to us, and the conformity to the originals of photocopies.

We are admitted to the Bar in the State of New York and we express no opinion as to the laws of any other jurisdiction, except the federal laws of the United States of America, and the general corporate laws of the State of Delaware, and we express no opinion with respect to any state securities or blue sky laws.

Based upon the foregoing and subject to the assumptions, limitations and exceptions set forth herein, we are of the opinion that as of the date hereof:

1. The Units to be purchased by the purchasers from the Company have been duly authorized for issuance and sale pursuant to the Purchase Agreement and, when issued and delivered by the Company pursuant to the Purchase Agreement against payment of the consideration set forth therein, the Preferred Stock and the Included Warrants will be validly issued, fully paid and nonassessable.

2. The Preferred Stock and the Included Warrants have been duly authorized for issuance and sale pursuant to the Purchase Agreement and, when issued and delivered by the Company pursuant to the Purchase Agreement against payment of the consideration set forth therein, will be validly issued, fully paid and nonassessable.

3. The Conversion Shares have been duly authorized and when issued upon conversion in accordance with the terms of the Preferred Stock will be validly issued, fully paid and nonassessable.

4. The Warrant Shares have been duly authorized and when issued upon such exercise in accordance with the terms of the Included Warrants will be validly issued, fully paid and nonassessable.

5. The Placement Agent Warrant has been duly authorized for issuance and sale pursuant to the Placement Agency Agreement and, when issued and delivered by the Company pursuant to the Placement Agency Agreement against payment of the consideration set forth therein, will be validly issued, fully paid and nonassessable. The shares of Preferred Stock issuable upon exercise of the Placement Agent Warrant have been duly authorized and when issued upon such exercise in accordance with the terms of the Placement Agent Warrant will be validly issued, fully paid and nonassessable. The shares of common stock issuable upon conversion of these shares of Preferred Stock underlying the Placement Agent Warrant have been duly a uthorized and when issued upon conversion in accordance with the terms of the Preferred Stock will be validly issued, fully paid and nonassessable.

This opinion is issued to you solely for use in connection with the Registration Statement and is not to be quoted or otherwise referred to in any financial statements of the Company or any other document, nor is it to be filed with or furnished to any government agency or other person, without our prior written consent.

We hereby consent to the use of our name under the caption "Legal Matters" in the prospectus supplement, dated January 12, 2011, relating to the Units, the Preferred and the Included Warrants, and to the filing of this opinion as an exhibit to the Company's Current Report on Form 8-K, filed on

January 18, 2011. In giving this consent, we do not admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations of the Commission adopted under the Act.

Very truly yours,

/s/ SEYFARTH SHAW LLP

[*Confidential treatment has been requested as to certain portions of this document. Each such portion, which has been omitted herein and replaced with a series of three asterisks in brackets [***], has been filed separately with the Securities and Exchange Commission.]

Exhibit 10.1

THE 2nd AMENDMENT TO THE DEVELOPMENT, PRODUCT SUPPLY AND COMMERCIALIZATION AGREEMENT FOR THERMODOX® ENTERED BY AND BETWEEN CELSION CORPORATION AND YAKULT HONSHA CO., LTD,.

This 2nd Amendment, is effective on JANUARY 7, 2011, to amend the DEVELOPMENT, PRODUCT SUPPLY AND COMMERCIALIZATION AGREEMENT (the "Agreement"), which was executed on DECEMBER 5, 2008, and amended on JULY 1, 2010 by and between Celsion Corporation, a corporation organized and existing under the laws of the State of Delaware and having its principal office at 10220 Old Columbia Road, Suite L, Columbia, Maryland 21046 ("Celsion"), and Yakult Honsha Co., Ltd., a corporation organized and existing under the laws of Japan and having its principal office at 1-19 Higashi Shinbashi 1-chome, Minato-ku, Tokyo, Japan ("Yakult"). Celsion and Yakult are sometimes referred to herein individually as a "Party" and collectively as the "Parties."

INTRODUCTION

WHEREAS, Celsion and Yakult have entered into the Agreement, which grants to Yakult an exclusive license to make, have made, sell, offer to sell, import and use ThermoDox Products in Japan;

WHEREAS, as of JANUARY 2011, Celsion and Yakult have been conducting a global phase III Hepatocellular Carcinoma study (the "HEAT Study") of ThermoDox according to the advices from the Data Monitoring Committee ("DMC"), the next meeting of which will be held on FEBRUARY 9, 2011 ("Next DMC Meeting").

WHEREAS, Celsion needs additional working capital to secure the necessary capital required to complete the enrollment of 600 patients for the HEAT Study and perform the formal interim analysis by the DMC after 190 Progression Free Survival ("PFS") events based on the HEAT Study's primary endpoint.

WHEREAS, YAKULT is willing to make advance payment to Celsion of certain payments under this 2nd Amendment, subject to certain conditions and in consideration of a partial reduction in the amount of the milestone payment due upon MHLW Marketing Authorization of a ThermoDox Product for HCC in Japan under the Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual representations, covenants and agreements contained herein, Celsion and Yakult, intending to be legally bound, agree as follows:

1. Subject to the completion of a sale of securities by Celsion for gross proceeds of not less than Five Million United States Dollars ($5,000,000 (US)), Yakult shall make a payment of up to Four Million United States Dollars ($4,000,000 (US)) to Celsion as follows:
   (a) Yakult shall make a payment of Two Million United States Dollars ($2,000,000 (US)) to Celsion by JANUARY 12, 2011 ("1st Payment") and;
   (b) Yakult shall make a payment of another Two Million United States Dollars ($2,000,000 (US)) to Celsion based on the favorable results of the Next DMC Meeting (scheduled for February 2011). ("2nd Payment")

2. In consideration of the payments from Yakult to Celsion pursuant to Section 1 above, the parties agree that the Eighteen Million United States Dollars ($18,000,000 (US)) of Development Milestone payment payable pursuant to paragraph (a) of Section 5.3.2 and Section 5.3.3 of the Agreement shall be reduced [***].

3. The detailed procedures of the Payments by Yakult pursuant to Section 1 above would be separately discussed and determined between the Parties.

4. It is understood and agreed between the parties that Celsion shall use proceeds from the payments under Section 1 above to fund the development costs of ThermoDox Products during the first quarter of 2011.

5. All other provisions of the Agreement shall remain unchanged.

[*Confidential treatment has been requested as to certain portions of this document. Each such portion, which has been omitted herein and replaced with a series of three asterisks in brackets [***], has been filed separately with the Securities and Exchange Commission.]

IN WITNESS WHEREOF, Celsion and Yakult, by their duly authorized officers, have entered into this Amendment as of the date of the signature.

Celsion Corporation		**Yakult Honsha Co., Ltd.**	
By:	*/s/ Michael H. Tardugno*	By:	*/s/ Sumiya Hori*
Name:	Michael H. Tardugno	Name:	Sumiya Hori
Title:	President & CEO	Title:	President
Date:	January 11, 2011	Date:	January 7, 2011

EXHIBIT 10.2

SECURITIES PURCHASE AGREEMENT

THIS SECURITIES PURCHASE AGREEMENT ("**Agreement**") is made as of the 12th day of January, 2011 by and among Celsion Corporation, a Delaware corporation (the "**Company**"), and the Investors set forth on the signature pages affixed hereto (each an "**Investor**" and collectively the "**Investors**").

RECITALS

WHEREAS, the Investors wish to purchase from the Company, and the Company wishes to sell and issue to the Investors, upon the terms and subject to the conditions stated in this Agreement, an aggregate of 5,000 units (the "**Units**") at a purchase price of $1,000 per Unit (the "**Per Unit Purchase Price**"), each Unit consisting of (i) one (1) share (collectively, the "**Preferred Shares**") of the Company's 8% Series A Redeemable Convertible Preferred Stock, par value $0.01 per share, with such rights, privileges and preferences as are set forth in the certificate of designation (the " **Certificate of Designation**") attached hereto as Exhibit A (together with any securities into which such shares may be reclassified, whether by merger, charter amendment or otherwise, the "**Preferred Stock**"), such Preferred Shares being convertible into shares (the "**Conversion Shares**") of the Company's Common Stock, par value $0.01 per share (together with any securities into which such shares may be reclassified, whether by merger, charter amendment or otherwise, the "**Common Stock**") at an initial conversion rate of $2.40 (subject to adjustment), and (ii) one (1) warrant in the form attached hereto as Exhibit B (the "**Warrants**") to purchase shares of Common Stock, each whole Warrant representing the right to purchase 416.6666 shares (collectively, the "**Warrant Shares**") of Common Stock at an exercise price of $3.25 per share of Common Stock (subject to adjustment) (the "**Warrant Exercise Price**"); and

WHEREAS, the offering and sale of the Units (the "**Offering**") are being made pursuant to (a) an effective Registration Statement on Form S-3, File No. 333-158402 (the "**Registration Statement**") filed by the Company with the Securities and Exchange Commission (the "**Commission**"), including the Prospectus contained therein (the "**Base Prospectus**"), (b) if applicable, certain "free writing prospectuses" (as that term is defined in Rule 405 under the Securities Act (as defined below)), that have been or will be filed with the Commission and delivered to the Invest ors (or made available to the Investors by the filing by the Company of an electronic version thereof with the Commission) on or prior to the date hereof (the "**Issuer Free Writing Prospectus**"), containing certain supplemental information regarding the Units, the terms of the Offering and the Company and (c) a Prospectus Supplement (the "**Prospectus Supplement**" and, together with the Base Prospectus, the "**Prospectus**") containing certain supplemental information regarding the Units and terms of the Offering that has been or will be filed with the Commission and delivered or made available to the Investors.

NOW THEREFORE, in consideration of the mutual promises made herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Definitions. For the purposes of this Agreement, the following terms shall have the meanings set forth below:

"**Affiliate**" means, with respect to any Person, any other Person which directly or indirectly through one or more intermediaries Controls, is controlled by, or is under common Control with, such Person.

"**Agreement**" has the meaning set forth in the preamble.

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks in New York City are open for the general transaction of business.

"**Certificate of Designation**" has the meaning set forth in the recitals.

"**Closing**" has the meaning set forth in Section 3.

"**Closing Date**" has the meaning set forth in Section 3.

"**Commission**" has the meaning set forth in the recitals.

"**Common Stock**" has the meaning set forth in the recitals.

"**Company**" has the meaning set forth in the preamble.

"**Company's Knowledge**" means the actual knowledge of the executive officers (as defined in Rule 405 under the Securities Act) of the Company, after due inquiry.

"**Control**" (including the terms "controlling", "controlled by" or "under common control with") means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

"**Conversion Shares**" has the meaning set forth in the recitals.

"**Effective Date**" means the date on which the initial Registration Statement is declared effective by the Commission.

"**Effectiveness Deadline**" means the date on which the initial Registration Statement is required to be declared effective by the Commission under the terms of the Registration Rights Agreement.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"**Governmental Permits**" has the meaning set forth in Section 4.13.

"**Investor**" and "**Investors**" have the meanings set forth in the preamble.

"**Material Adverse Effect**" means a material adverse effect on (i) the assets, liabilities, results of operations, condition (financial or otherwise), business, or prospects of the Company and its Subsidiaries taken as a whole, (ii) the legality or enforceability of any of the Transaction Documents or (iii) the ability of the Company to perform its obligations under the Transaction Documents.

"**NasdaqCM**" means The Nasdaq Capital Market.

"**Per Unit Purchase Price**" has the meaning set forth in the recitals.

"**Person**" means an individual, corporation, partnership, limited liability company, trust, business trust, association, joint stock company, joint venture, sole proprietorship, unincorporated organization, governmental authority or any other form of entity not specifically listed herein.

"**Placement Agent**" means Dominick & Dominick LLC.

"**Placement Agent Agreement**" means that certain placement agent agreement of even date herewith by and between the Company and Dominick & Dominick LLC with respect to the Offering.

"**Preferred Shares**" has the meaning set forth in the recitals.

"**Preferred Stock**" shall have the meaning set forth in the recitals.

"**Registration Statement**" has the meaning set forth in the recitals.

"**SEC Filings**" has the meaning set forth in Section 4.8.

"**Securities**" means the Units, the Preferred Shares, the Conversion Shares, the Warrants and the Warrant Shares.

"**Securities Act**" means the Securities Act of 1933, as amended, or any successor statute, and the rules and regulations promulgated thereunder.

"**10-K**" has the meaning set forth in Section 4.8.

"**Transaction Documents**" means this Agreement, the Certificate of Designation, the Placement Agent Agreement and the Warrants.

"**Units**" has the meaning set forth in the recitals.

"**Warrant Shares**" has the meaning set forth in the recitals.

"**Warrant Exercise Price**" has the meaning set forth in the recitals.

"**Warrants**" has the meaning set forth in the recitals.

2. Purchase and Sale of the Units. Subject to the terms and conditions of this Agreement, on the Closing Date (as defined below), each of the Investors shall severally, and not jointly, purchase, and the Company shall sell and issue to the Investors, the Units in the respective amounts set forth opposite the Investors' names on the signature pages attached hereto in exchange for payment as specified in Section 3 below of an aggregate purchase price equal to the Per Unit Purchase Price multiplied by the number of Units to be purchased by each Investor as set forth opposite the Investors' names on the signature pages attac hed hereto. The Units will not be certificated and the Preferred Shares and the Warrants included therein shall be immediately separable.

3. Closing. The completion of the purchase and sale of the Units (the "**Closing**") shall occur at a time (the "**Closing Date**") to be specified by the Company and the Placement Agent in accordance with Rule 15c6-1 under the Exchange Act. At the Closing, (a) the Company shall deliver to each Investor one or more certificates evidencing ownership of the number of Preferred Shares and Warrants set forth opposite its name on the signature pages attached hereto registered in the name of each such Investor, and (b) the aggregate purchase price for the Units bein g purchased by each Investor will be delivered by or on behalf of each such Investor to the Company. The Closing shall take place at the offices of Seyfarth Shaw LLP, 620 Eighth Avenue, New York, New York 10018, or at such other location and on such other date as the Company and the Investors shall mutually agree.

4. Representations and Warranties of the Company. The Company hereby represents and warrants to the Investors as follows:

4.1 Organization, Good Standing and Qualification. The Company has no Subsidiaries. The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware. The Company is duly qualified to do business and is in good standing as a foreign corporation in each jurisdiction in which its ownership or lease of property or the conduct of its business require such qualification and has all corporate power and authority necessary to own or hold its properties and to conduct the business in which it is engaged, except where the failure to so qualify or have such power or authority woul d not have, singly or in the aggregate, or could not reasonably be expected to have a Material Adverse Effect.

4.2 Authorization. The Company has full corporate power and authority to enter into and perform its obligations under the Transaction Documents and to issue the Securities in accordance with the terms and conditions hereof and thereof and has taken all requisite action on the part of the Company, its officers, directors and stockholders necessary for (i) the authorization, execution and delivery of the Transaction Documents, (ii) the authorization of the performance of all obligations of the Company hereunder or thereunder, and (iii) the authorization, issuance (or reservation for i ssuance) and delivery of the Securities. The Transaction Documents constitute the legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally and to general equitable principles.

4.3 Capitalization. Schedule 4.3 sets forth as of the date hereof (a) the authorized capital stock of the Company; (b) the number of shares of capital stock issued and outstanding; (c) the number of shares of capital stock issuable pursuant to the Company's stock plans; and (d) the number of shares of capital stock issuable and reserved for issuance pursuant to securities (other than the Preferred Shares, the Conversion Shares, the Warrants and the Warrant Shares) exercisable for, or convertible into or exchangeable for any shares of capital stock of the Company. All of the issued and outstanding shares of the Company's capital stock have been duly authorized and validly issued. No Person is entitled to pre-emptive or similar statutory or contractual

rights with respect to any securities of the Company. Except as described on Schedule 4.3, there are no outstanding warrants, options, convertible securities or other rights, agreements or arrangements of any character under which the Company is or may be obligated to issue any equity securities of any kind and except as contemplated by this Agreement, and the Company is not currently in negotiations for the issuance of any equity securities of any kind. Except as described on Schedule 4.3, there are no voting agreements, buy-sell agreements, option or right of first purchase agreements or other agreements of any kind among the Company and any of the security holders of the Company relating to the securities of the Company held by them. Except as described on Schedule 4.3, no Person has the right to require the Company to register any securities of the Company under the Securities Act, whether on a demand basis or in connection with the registration of securities of the Company for its own account or for the account of any other Person.

Except as described on Schedule 4.3, the Company does not have outstanding stockholder purchase rights or "poison pill" or any similar arrangement in effect giving any Person the right to purchase any equity interest in the Company upon the occurrence of certain events.

4.4 Valid Issuance. The Preferred Shares have been duly and validly authorized and, when issued and paid for pursuant to this Agreement, will be validly issued, fully paid and nonassessable, and shall be free and clear of all encumbrances and restrictions (other than those created by the Investors), except for restrictions on transfer set forth in the Transaction Documents or imposed by applicable securities laws. Upon the due conversion of the Preferred Shares in accordance with their terms, the Conversion Shares will be validly issued, fully paid and non-assessable free and clear of all encumbrances and restrictions, except for restric tions imposed by applicable securities laws and except for those created by the Investors. The Warrants have been duly and validly authorized. Upon the due exercise of the Warrants in accordance with their terms, the Warrant Shares will be validly issued, fully paid and non-assessable free and clear of all encumbrances and restrictions, except for restrictions imposed by applicable securities laws and except for those created by the Investors. The Company has reserved a sufficient number of shares of Common Stock for issuance as Conversion Shares and Warrant Shares.

4.5 Issuance of Securities; Registration Statement. The issuance by the Company of the Securities has been registered under the Securities Act, the Securities are being issued pursuant to the Registration Statement and all of the Securities are freely transferable and freely tradable by each of the Investors without restriction. The Registration Statement is effective and available for the issuance of the Securities thereunder and the Company has not received any notice that the Commission has issued or intends to issue a stop-order with respect to the Registration Statement or that the Commission otherwise has suspended or withdrawn the effectiven ess of the Registration Statement, either temporarily or permanently, or intends or has threatened in writing to do so. The "Plan of Distribution" section under the Registration Statement permits the issuance and sale of the Securities hereunder and as contemplated by the other Transaction Documents. Upon receipt of the Securities, each of the Buyers will have good and marketable title to the Securities. The Registration Statement and any prospectus included therein, including the Base Prospectus and the Prospectus Supplement, complied in all material respects with the requirements of the Securities Act and the Exchange Act and the rules and regulations of the Commission promulgated thereunder and all other applicable laws and regulations. At the time the Registration Statement and any amendments thereto became effective, at the date of this Agreement and at each deemed effective date thereof pursuant to Rule 430B(f)(2) of the Securities Act, the Registration Statement and any amendments thereto complied and will comply in all material respects with the requirements of the Securities Act and did not and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus and any amendments or supplements thereto (including, without limitation the Prospectus Supplement), at the time the Prospectus or any amendment or supplement thereto was issued and at the Closing Date, complied, and will comply, in all material respects with the requirements of the Securities Act and did not, and will not, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The Company meets all of the requirements for the use of Form S-3 under the Securities Act for the offering and sale of the Securities contemplated by this Agreement and the other Transaction Documents, and the Commission has not notified the Company of any objection to the use of the form of the Registration Statement pursuant to Rule 401(g)(1) under the Securities Act. The Registration Statement meets the requirements set forth in Rule 415(a)(1)(x) under the Securities Act. The Company is eligible to register the issuance and sale of the Securities to the Investors using Form S-3 promulgated under the Securities Act. The Company was never and is not an "Ineligible Issuer" (as defined in Rule 405 under the Securities Act). The Company (i) has not distributed any offering material in connection with the offer or sale of any of the Securities and (ii) until no Investor holds any of the Securities, shall not distribute any offering material in connection with the offer or sale of any of the Securities to, or by, any of the Investors (if required), in each case, other than the Registration Statement, the Base Prospectus or the Prospectus Supplemen t.

4.6 No Integrated Offering. None of the Company or any of its Affiliates, nor any Person acting on their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to require approval of stockholders of the Company under any applicable stockholder approval provisions, including, without limitation, under the rules and regulations of any exchange or automated quotation system on which any of the securities of the Company are listed or designated for quotation. None of the Company or its Affiliates nor any Person acting on their behalf will take any action or steps that would cause the offering of any of the Securities to be integrated with other offerings of securities of the Company.

4.7 Consents. The execution, delivery and performance by the Company of the Transaction Documents and the offer, issuance and sale of the Securities require no consent of, action by or in respect of, or filing with, the Company, its board of directors or its stockholders or any other Person, governmental body, agency, or official other than filings that have been made pursuant to applicable state securities laws and post-sale filings pursuant to applicable state and federal securities laws which the Company undertakes to file within the applicable time perio ds. Subject to the accuracy of the representations and warranties of each Investor set forth in Section 5 hereof, the Company has taken all action necessary to exempt (i) the issuance and sale of the Securities, (ii) the issuance of the Warrant Shares upon due exercise of the Warrants, (iii) the issuance of the Conversion Shares upon due conversion of the Preferred Shares, and (iv) the other transactions contemplated by the Transaction Documents from the provisions of any stockholder rights plan or other "poison pill" arrangement, any anti-takeover, business combination or control share law or statute binding on the Company or to which the Company or any of its assets and properties may be subject and any provision of the Company's Certificate of Incorporation (the "**Certificate of Incorporation**") or Bylaws (the "Bylaws"), each as amended to date, that is or could reasonably be expected to become applicable to the Investors as a result of the transactions contemplated hereby, including without limitation, the issuance of the Securities and the ownership, disposition or voting of the Securities by the Investors or the exercise of any right granted to the Investors pursuant to this Agreement or the other Transaction Documents.

4.8 SEC Filings. The Company has made available to the Investors through the EDGAR system, true and complete copies of the Company's most recent Annual Report on Form 10-K for the fiscal year ended December 31, 2009 (as amended prior to the date hereof, the "**10-K**") and most recent Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2010, and all other reports filed by the Company pursuant to the Exchange Act since the filing of the 10-K and prior to the date hereof (all of the foregoing and all exhibits included therein and financial statements, notes and schedules thereto and documents incorporated by reference therein being hereinafter referred to as the "**SEC Filings**"). The SEC Filings are the only filings required of the Company pursuant to the Exchange Act for such period. At the time of filing thereof, the SEC Filings complied as to form in all material respects with the requirements of the Exchange Act and the rules and regulations promulgated by the Commission applicable to the SEC Filings and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Except for the information contained in the

Prospectus Supplement and the SEC Filings and the representations and warranties contained in this Agreement, no other information has been provided by or on behalf of the Company to any of the Investors. As of their respective dates, the financial statements of the Company included in the SEC Filings complied as to form in all material respects with Regulation S-X and all other published rules and regulations of the Commission. Such financial statements have been prepared in accordance with generally accepted accounting principles ("**GAAP**") applied on a consistent basis during the periods involved (except (i) as may be otherwise indicated in such financial statements or the notes thereto or (ii) in the case of unaudited interim statements, to the extent they may not include footnotes or may be condensed or summary statements), and fairly present in all material respects the financial position of the Company as of the dates thereof and the results of operations and cash flows for the periods then ended (subject, in the case of unaudited statements, to normal year-end audit adjustmen ts).

4.9 Absence of Certain Changes. Since the date of the Company's most recent audited financial statements contained in the 10-K, except as disclosed in the SEC Filings filed subsequent to such Form 10-K, there has been no material adverse change and no material adverse development in the business, assets, liabilities, properties, operations (including results thereof), condition (financial or otherwise) or prospects of the Company. Since the date of the Company's most recent audited financial statements contained in the 10-K, except as may be disclosed in the SEC Filings filed subsequent to the 10-K, the Company has not (i) declared or p aid any dividends, (ii) sold any assets outside of the ordinary course of business or (iii) made any material capital expenditures, individually or in the aggregate. The Company has not taken any steps to seek protection pursuant to any law or statute relating to bankruptcy, insolvency, reorganization, receivership, liquidation or winding up, nor does the Company have any knowledge or reason to believe that any of their respective creditors intend to initiate involuntary bankruptcy proceedings or any actual knowledge of any fact which would reasonably lead a creditor to do so. The Company is not as of the date hereof, and after giving effect to the transactions contemplated hereby to occur at the Closing will not be, Insolvent (as defined below). "**Insolvent**" means, (A) with respect to the Company, (1) the present fair saleable value of the Company's assets is less than the amount required to pay the Company's total Indebtedness (as defined below), (2) the Company is unable to pay its debts and liabilities, subordinated, contingent or otherwise, as such debts and liabilities become absolute and matured or (3) the Company intends to incur or believes that it will incur debts that would be beyond its ability to pay as such debts mature. The Company has not engaged in any business or in any transaction, and is not about to engage in any business or in any transaction, for which the Company's remaining assets constitute unreasonably small capital.

4.10 No Undisclosed Events, Liabilities, Developments or Circumstances. Except as set forth in the SEC Filings and the Prospectus Supplement, no event, liability, development or circumstance has occurred or exists, or is reasonably expected to occur or exist with respect to the Company or its business, properties, liabilities, prospects, operations (including results thereof) or condition (financial or otherwise) that (i) would be required to be disclosed by the Company under applicable securities laws on a registration statement on Form S-1 filed with the Commission relating to an issuance and sale by the Company of its Common Stock and which has not been publicly announced, (ii) could have a material adverse effect on any Investor's investment hereunder or (iii) could have a Material Adverse Effect.

4.11 Use of Proceeds. The net proceeds of the sale of the Units hereunder shall be used by the Company for working capital and general corporate purposes. Without limiting the foregoing, none of such proceeds shall be used, directly or indirectly, (i) for the satisfaction of any debt of the Company (other than payment of trade payables incurred after the date hereof in the ordinary course of business of the Company and consistent with prior practices), (ii) for the redemption of any securities of the Company or (iii) with respect to any litigation involving the Company (including, without limitation, (A) any settlement thereof or (B) the payment of any costs or expenses related thereto)

4.12 No Conflict, Breach, Violation or Default. The execution, delivery and performance of the Transaction Documents by the Company and the issuance and sale of the Securities will not result in the creation or imposition of any lien, charge or encumbrance upon any of the assets of the Company pursuant to the terms or provisions of, or result in a breach or violation of any of the terms or provisions of, or conflict with or constitute a default (or an event which with notice or lapse of time or both) under, or give any party a right to terminate any of its obligations under, or result in the acceleration of any obligation under, (i) the Certificate of Incorporation (including without limitation any certificates of designation contained therein) or Bylaws, each as amended to date, of the Company, (ii) any indenture, mortgage, deed of trust, voting trust agreement, loan agreement, bond, debenture, note agreement or other evidence of indebtedness, lease, contract or other agreement or instrument to which the Company is a party or by which the Company or any of its properties is bound or affected, or (iii) violate or conflict with any judgment, ruling, decree, order, statute, rule or regulation of any court or other governmental agency or body applicable to the Company or the business or properties of the Company, except as to (ii) and (iii) above for such breaches, violations or defaults which, individually or in the aggregate, would not reasonably be expected to have a Material Adverse Effect .

4.13 Certificates, Authorities and Permits. The Company possesses all licenses, certificates, authorizations, permits, consents, orders, approvals and authorizations issued by, and have made all declarations and filings with, the appropriate local, state, federal or foreign regulatory agencies or bodies, including, without limitation, the FDA and any agency of any foreign government and any other foreign regulatory authority exercising authority comparable to that of the FDA (including a ny non-governmental entity whose approval or authorization is required under foreign law comparable to that administered by the FDA), which are necessary or desirable for the ownership of its properties or the conduct of its business as described in the SEC Filings and the Prospectus (collectively, the "**Governmental Permits**") except where any failures to possess or make the same, singularly or in the aggregate, would not have a Material Adverse Effect. The Company is in compliance with all such Governmental Permits; all such Governmental Permits are valid and in full force and effect, except where the validity or failure to be in full force and effect would not, singularly or in the aggregate, have a Material Adverse Effect. All such Governmental Permits are free and clear of any restriction or condition that are in addition to, or materially different from those normally applicable to similar licenses, certificates, au thorizations and permits. The Company has not received notification of any revocation or modification (or proceedings related thereto) of any such Governmental Permit and the Company has no reason to believe that any such Governmental Permit will not be renewed.

4.14 Litigation. There are no pending actions, suits or proceedings against or affecting the Company or any of its properties; and to the Company's Knowledge, no such actions, suits or proceedings are threatened or contemplated. Neither the Company nor any director or executive officer thereof, is or since January 1, 2007 has been the subject of any action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty. There has not been, and to the Company's Knowledge, there is not pending or contemplated, any investigation by the Commission involving t he Company or any current or former director or executive officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company under the Securities Act or the Exchange Act.

4.15 Indebtedness. Except as set forth in the SEC Filings, the Company has no material indebtedness. For the purposes of this Agreement, "**Indebtedness**" shall include (a) all obligations for borrowed money, (b) all obligations evidenced by bonds, debentures, notes, or other similar instruments and all reimbursement or other obligations in respect of letters of credit, bankers acceptances, current swap agreements, interest rate hedging agreements, interest rate swaps, or other financial products, (c) all capital or equipment lease obligations or purchase money security interests that exceed $1,000,000 in the aggregate in any fiscal year, (d) all obligations or liabilities secured by a Lien on any asset of the Company, irrespective of whether such obligation or liability is assumed, other than capital or equipment leases and purchase money security interests in amounts excluded from disclosure under clause (c) above, and (e) any obligation guaranteeing or intended to guarantee (whether directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse) any of the foregoing obligations of any other person or entity.

4.16 Insurance. The Company is insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as management of the Company believes to be prudent and customary in the businesses in which the Company is engaged. The Company has not been refused any insurance coverage sought or applied for, and the Company has no any reason to believe that it will be unable to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

4.17 Employee Relations. The Company is not a party to any collective bargaining agreement and does not employ any member of a union. No executive officer (as defined in Rule 501(f) promulgated under the Securities Act) or other key employee of the Company has notified the Company that such officer intends to leave the Company or otherwise terminate such officer's employment with the Company. No executive officer or other key employee of the Company is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement, non-competition agreement, or any other contract or agreement or any restrictive covenant, and the continued employment of each such executive officer or other key employee (as the case may be) does not subject the Company to any liability with respect to any of the foregoing matters. The Company is in compliance with all federal, state, local and foreign laws and regulations respecting labor, employment and employment practices and benefits, terms and conditions of employment and wages and hours, except where failure to be in compliance would not, either individually or in the aggregate, reasonably be expected to result in a Material Adverse Effect.

4.18 Title. The Company has good and marketable title in fee simple to all real property, and has good and marketable title to all personal property, owned by them which is material to the business of the Company, in each case, free and clear of all liens, encumbrances and defects except such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company. Any real property and facilities held under lease by the Company are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made an d proposed to be made of such property and buildings by the Company.

4.19 Intellectual Property Rights. The Company owns or possesses the right to use all patents, trademarks, trademark registrations, service marks, service mark registrations, trade names, copyrights, licenses, inventions, software, databases, know-how, Internet domain names, trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures, and other intellectual property (collectively, "**Intellectual Property**") necessary to carry on its business as currently conducted, and as proposed to be conducted and described in the Prospectus Supplement. The Company has complied in all material respects with, and are not in breach nor have received any asserted or threatened claim of breach of, any Intellectual Property license, and the Company has no knowledge of any breach or anticipated breach by any other person to any Intellectual Property license. To the Company's best knowledge, the Company's business as now conducted and as proposed to be conducted does not and will not infringe or conflict with any valid and enforceable patents, trademarks, service marks, trade names, copyrights, trade secrets, licenses or other Intellectual Property or franchise right of any person; and, if found to so infringe or conflict, would not do so in a manner or to an extent that it could have a Material Adverse Effect. No claim has been made against the Company alleging the infringement by the Company of any patent, trademark, service mark, trade name, copyright, trade secret, license in or other intellectual property right or franchise right of any person. The Company has taken all reasonable steps to protect, maintain and safeguard its rights in all Intellectual Property, including the execution of appropriate nondisclosure and confidentiality agreements. The consummation of the transactions contemplated by this Agreement will not result in the loss or impairment of or payment of any additional amounts with respect to, nor require the consent of any other person in respect of, the Company's right to own, use or hold for use any of the Intellectual Property as owned, used or held for use in the conduct of the businesses as currently conducted.

4.20 Environmental Laws. The Company (i) is in compliance with all Environmental Laws (as defined below), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses and (iii) are in compliance with all terms and conditions of any such permit, license or approval where, in each of the foregoing clauses (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect. "**Environmental Laws**" means all federal, state, local or foreign laws relating to pollution or protection of human health or the environment (including, without limitation, ambient air, surface water, groundwater, land surface or subsurface strata), including, without limitation, laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "**Hazardous Materials**") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations issued, entered, promulgated or approved thereunder.

4.21 Tax Status. The Company (i) has timely made or filed all foreign, federal and state income and all other tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has timely paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations, except those being contested in good faith and (iii) has set aside on its books provision reasonably adequate for the payment of all taxes for periods subsequent to the periods to which such returns, reports or declarations apply. There are no unpaid taxes in any material am ount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company know of no basis for any such claim. The Company is not operated in such a manner as to qualify as a passive foreign investment company, as defined in Section 1297 of the U.S. Internal Revenue Code of 1986, as amended.

4.22 Compliance with Nasdaq Continued Listing Requirements. The Company is in compliance with applicable NasdaqCM continued listing requirements. There are no proceedings pending or, to the Company's Knowledge, threatened against the Company relating to the continued listing of the Common Stock on NasdaqCM and the Company has not received any notice of, nor to the Company's Knowledge is there any basis for, the delisting of the Common Stock from NasdaqCM. To the Company's Knowledge, there are no facts or circumstances which might give rise to any of the foregoing.

4.23 Placement Agent's Fees. The Company shall be responsible for the payment of any placement agent's fees, financial advisory fees, or brokers' commissions relating to or arising out of the transactions contemplated hereby.

4.24 Books and Records; Internal Accounting Controls. The books and records of the Company accurately reflect in all material respects the information relating to the business of the Company, the location and collection of their assets, and the nature of all transactions giving rise to the obligations or accounts receivable of the Company or any Subsidiary. The Company is in material compliance with all provisions of the Sarbanes-Oxley Act of 2002 which are applicable to it as of the Closing Date. The Company maintains a system of internal accounting controls sufficient to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences and control over financial reporting (as defined in Exchange Act Rules 13a-15). The Company has established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or

submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Com mission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by the Company's most recently filed periodic report under the Exchange Act (such date, the "**Evaluation Date**"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the Company's internal control over financial reporting (as such term is defined in the Exchange Act).

4.25 DTC Status. The Company's registrar and transfer agent for its Common Stock is a participant in and the Common Stock is eligible for transfer pursuant to the Depository Trust Company Fast Automated Securities Transfer Program. The registrar and transfer agent for the Company's Common Stock is American Stock Transfer & Trust Company located at 6201 15th Avenue, 2nd Floor, Brooklyn, NY 11219. Its phone number is 800-937-5449.

5. Representations and Warranties of the Investors. Each of the Investors hereby severally, and not jointly, represents and warrants to the Company with respect only to itself that:

5.1 Organization and Existence. If such Investor is an entity, such Investor is a validly existing corporation, limited partnership or limited liability company and has all requisite corporate, partnership or limited liability company power and authority to invest in the Securities pursuant to this Agreement.

5.2 Authorization. If such Investor is an entity, the execution, delivery and performance by such Investor of the Transaction Documents to which such Investor is a party have been duly authorized and each will constitute the valid and legally binding obligation of such Investor, enforceable against such Investor in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally. If such Investor is a person, such Investor has reached the age of 21 and has full power and authority to execute and deliver the Transaction Documents to which such Investor is a party and each will constitute the valid and legally binding obligation of such Investor, enforceable against such Investor in accordance with their respective terms, subject to bankruptcy, insolvency, fraudulent transfer, reorganization, moratorium and similar laws of general applicability, relating to or affecting creditors' rights generally.

5.3 Purchase Entirely for Own Account. The Securities to be received by such Investor hereunder will be acquired for such Investor's own account, not as nominee or agent, and such Investor is not a broker-dealer registered with the Commission under the Exchange Act or an entity engaged in a business that would require it to be so registered. Nothing contained herein shall be deemed a representation or warranty by such Investor to hold the Securities for any period of time.

5.4 Brokers and Finders. No Person will have, as a result of the transactions contemplated by the Transaction Documents, any valid right, interest or claim against or upon the Company or an Investor for any commission, fee or other compensation pursuant to any agreement, arrangement or understanding entered into by or on behalf of such Investor.

5.5 Prohibited Transactions. Since the earlier of (a) such time as such Investor was first contacted by the Company or any other Person acting on behalf of the Company regarding the transactions contemplated hereby or (b) thirty (30) days prior to the date hereof, neither such Investor nor any Affiliate of such Investor which (x) had knowledge of the transactions contemplated hereby, (y) has or shares discretion relating to such Investor's investments or trading or information concerning such Investor's investments, including in respect of the Securities, or (z) is subject to such Investor's review or input concerning such Affilia te's investments or trading has, directly or indirectly, effected or agreed to effect any short sale, whether or not against the box, established any "put equivalent position" (as defined in Rule 16a-1(h) under the Exchange Act) with respect to the Common Stock, granted any other right (including, without limitation, any put or call option) with respect to the Common Stock or with respect to any security that includes, relates to or derived any significant part of its value from the Common Stock or otherwise sought to hedge its position in the Securities.

5.6 Accredited Investor; Suitability. Such Investor is an "accredited investor" as and meets the requirements of at least one of the suitability standards for an accredited investor as set forth in Rule 501(a) of Regulation D. Prior to the execution of this Securities Purchase Agreement, such Investor has carefully reviewed and understands the Prospectus Supplement, the Transaction Documents and the information contained therein.

5.7 No Agent Liability. Such Investor is required to conduct its own due diligence of the Company and the Offering. Such Investor acknowledges and agrees that the Placement Agent assumes no responsibility or liability of any nature whatsoever for the accuracy, adequacy or completeness of any information provided to such Investor concerning the Company or as contained in the SEC Filings, nor does the Placement Agent make any representation or warranty of any nature regarding the Company or its current or future viability. The Placement Agent shall be deemed to be a third party beneficiary of this paragraph.

6. Conditions to Closing.

6.1 Conditions to the Investors' Obligations. The obligation of each Investor to purchase Units at the Closing is subject to the fulfillment to such Investor's satisfaction, on or prior to the Closing Date, of the following conditions, any of which may be waived by such Investor (as to itself only):

(a) The representations and warranties made by the Company in Section 4 hereof qualified as to materiality shall be true and correct at all times prior to and on the Closing Date, except to the extent any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct as of such earlier date, and, the representations and warranties made by the Company in Section 4 hereof not qualified as to materiality shall be true and correct in all material respects at all times prior to and on the Closing Date, except to the exte nt any such representation or warranty expressly speaks as of an earlier date, in which case such representation or warranty shall be true and correct in all material respects as of such earlier date. The Company shall have performed in all material respects all obligations and covenants herein required to be performed by it on or prior to the Closing Date.

(b) The Company shall have obtained any and all consents, permits, approvals, registrations and waivers necessary or appropriate for consummation of the purchase and sale of the Securities and the consummation of the other transactions contemplated by the Transaction Documents, all of which shall be in full force and effect.

(c) The Company shall have filed with Nasdaq a Notification Form: Listing of Additional Shares for the listing of the Conversion Shares and the Warrant Shares, a copy of which shall have been provided to the Investors.

(d) The Company shall have received gross proceeds from the sale of the Units as contemplated hereby of at least Three Million, Eight Hundred Thousand Dollars ($3,800,000).

(e) No judgment, writ, order, injunction, award or decree of or by any court, or judge, justice or magistrate, including any bankruptcy court or judge, or any order of or by any governmental authority, shall have been issued, and no action or proceeding shall have been instituted by any governmental authority, enjoining or preventing the consummation of the transactions contemplated hereby or in the other Transaction Documents.

(f) The Company shall have delivered a Certificate, executed on behalf of the Company by its Chief Executive Officer or its Chief Financial Officer, dated as of the Closing Date, certifying to the fulfillment of the conditions specified in subsections (a)-(c)and (h)-(k) of this Section 6.1.

(g) The Company shall have delivered a Certificate, executed on behalf of the Company by its Secretary, dated as of the Closing Date, certifying the resolutions adopted by the Board of Directors of the Company approving the transactions contemplated by this Agreement and the other Transaction Documents and the issuance of the Securities, certifying the current versions of the Certificate of Incorporation and Bylaws of the Company and certifying as to the signatures and authority of persons signing the Transaction Documents and related documents on behalf of the Company.

(h) No stop order or suspension of trading shall have been imposed by Nasdaq, the Commission or any other governmental or regulatory body with respect to public trading in the Common Stock.

(i) The Company shall have filed with the Commission the Prospectus Supplement relating to the Offering.

(j) The Company shall have filed with the Secretary of State of the State of Delaware the Certificate of Designation.

(k) No change having a Material Adverse Effect shall have occurred.

6.2 Conditions to Obligations of the Company. The Company's obligation to sell and issue Shares and Warrants at any Closing is subject to the fulfillment to the satisfaction of the Company on or prior to the applicable Closing Date of the following conditions, any of which may be waived by the Company:

(a) The representations and warranties made by the Investors in Section 5 hereof shall be true and correct in all material respects when made, and shall be true and correct in all material respects on the Closing Date with the same force and effect as if they had been made on and as of said date. The Investors shall have performed in all material respects all obligations and covenants herein required to be performed by them on or prior to the Closing Date.

(b) Any Investor purchasing Units at such Closing shall have paid in full its purchase price to the Company against delivery of certificates for the appropriate numbers of Units to be purchased by such Investor.

(c) The Investor’s obligations are expressly not conditioned on the purchase by any or all of the other Investors of the Units that they have agreed to purchase from the Company.

(d) The Company shall have received gross proceeds from the sale of the Units as contemplated hereby of at least Three Million, Eight Hundred Thousand Dollars ($3,800,000).

6.3 Termination of Obligations to Effect Closing; Effects.

(a) The obligations of the Company, on the one hand, and the Investors, on the other hand, to effect the Closing shall terminate as follows:

(i) Upon the mutual written consent of the Company and the Investors;

(ii) By the Company if any of the conditions set forth in Section 6.2 shall have become incapable of fulfillment, and shall not have been waived by the Company;

(iii) By an Investor (with respect to itself only) if any of the conditions set forth in Section 6.1 shall have become incapable of fulfillment, and shall not have been waived by the Investor; or

(iv) By either the Company or any Investor (with respect to itself only) if the Closing has not occurred on or prior to March 31, 2010;

provided, *however*, that, except in the case of clause (i) above, the party seeking to terminate its obligation to effect the Closing shall not then be in breach of any of its representations, warranties, covenants or agreements contained in this Agreement or the other Transaction Documents if such breach has resulted in the circumstances giving rise to such party’s seeking to terminate its obligation to effect the Closing.

(b) In the event of termination by the Company or any Investor of its obligations to effect the Closing pursuant to this Section 6.3, written notice thereof shall forthwith be given to the other Investors by the Company and the other Investors shall have the right to terminate their obligations to effect the Closing upon written notice to the Company and the other Investors. Nothing in this Section 6.3 shall be deemed to release any party from any liability for any breach by such party of the terms and provisions of this Agreement or the other Transaction Documents or to impair the ri ght of any party to compel specific performance by any other party of its obligations under this Agreement or the other Transaction Documents.

7. Covenants and Agreements of the Company.

7.1 Maintenance of Registration Statement. For so long as any of the Preferred Shares or Warrants remain outstanding, the Company shall use its best efforts to maintain the effectiveness of the Registration Statement for the issuance thereunder of the Conversion Shares and the Warrant Shares, respectively, provided that if at any time while the Preferred Shares or Warrants are outstanding the Company shall be ineligible to utilize Form S-3 (or any successor form) for the purpose of issuance of the Conversion Shares or the Warrant Shares, the Company shall promptly amend the Registration Statement on such other form as may be necessary to maintain t he effectiveness of the Registration Statement for this purpose. If at any time following the date hereof the Registration Statement is not effective or is not otherwise available for the issuance of the Securities or any prospectus contained therein is not

available for use, the Company shall immediately notify the holders of the Securities in writing that the Registration Statement is not then effective or a prospectus contained therein is not available for use and thereafter shall promptly notify such holders when the Registration Statement is effective again and available for the issuance of the Securities or such prospectus is again available for use. In further addition, the Company shall file such amendments to the Registration Statement (or such other registration statement on such other form as may be necessary to maintain the effectiveness of the Registration Statement for this purpose) and such prospectus supplements that may be necessary for the issuance of any Conversion Shares and/or Warrant Shares to the Investors free of any restrictive legends or other limitation on resale by the Investors under the Securities Act.

7.2 Prospectus Supplement and Blue Sky. Immediately prior to execution of this Agreement, the Company shall have delivered, and within the time period proscribed by law the Company shall file, the Prospectus Supplement with respect to the Securities as required under, and in conformity with, the Securities Act, including Rule 424(b) thereunder. If required, the Company, on or before the Closing Date, shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to, qualify the Securities for sale to the Investors at the Closing pursuant to this Agreement under applicable securities or "B lue Sky" laws of the states of the United States (or to obtain an exemption from such qualification), and shall provide evidence of any such action so taken to the Investors on or prior to the Closing Date. Without limiting any other obligation of the Company under this Agreement, the Company shall timely make all filings and reports relating to the offer and sale of the Securities required under all applicable securities laws (including, without limitation, all applicable federal securities laws and all applicable "Blue Sky" laws), and the Company shall comply with all applicable federal, state and local laws, statutes, rules, regulations and the like relating to the offering and sale of the Securities to the Buyers.

7.3 Reservation of Common Stock. The Company shall at all times reserve and keep available out of its authorized but unissued shares of Common Stock, solely for the purpose of providing for the conversion of the Preferred Shares and the exercise of the Warrants, such number of shares of Common Stock as shall from time to time equal the number of shares sufficient to permit the full conversion of the Preferred Shares and the exercise of the Warrants issued pursuant to this Agreement in accordance with their respective terms.

7.4 Listing. The Company shall promptly secure the listing or designation for quotation (as the case may be) of all of the Conversion Shares and Warrant Shares upon each national securities exchange and automated quotation system, if any, upon which the Common Stock is then listed or designated for quotation (as the case may be) (subject to official notice of issuance) (but in no event later than the Closing Date) and shall maintain such listing or designation for quotation (as the case may be) of all the shares of Common Stock from time to time issuable under the terms of the Transaction Documents on such national securities exchange or automated quotation system. The Company shall maintain the Common Stock's listing or designation for quotation (as the case may be) on the NasdaqCM, The New York Stock Exchange, the NYSE Amex, the Nasdaq Global Select Market or the Nasdaq Global Market (each, an "**Eligible Market**"). The Company shall not take any action which could be reasonably expected to result in the delisting or suspension of the Common Stock on an Eligible Market. The Company shall pay all fees and expenses in connection with satisfying its obligations under this Section 7.4.

7.5 No Conflicting Agreements. The Company will not take any action, enter into any agreement or make any commitment that would conflict or interfere in any material respect with the Company's obligations to the Investors under the Transaction Documents.

7.6 Compliance with Laws. The business of the Company shall not be conducted in violation of any law, ordinance or regulation of any governmental entity, except where such violations would not result, either individually or in the aggregate, in a Material Adverse Effect.

7.7 Equal Treatment of Investors. No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of any of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Investor by the Company and negotiated separately by each Investor, and is intended for the Company to treat the Investors as a class and shall not in any way be construed as the Investors acting in concert or as a group with respect to the purchase, disposition or vo ting of Securities or otherwise.

7.8 Reporting Status. For so long as any of the Preferred Shares are outstanding, the Company shall use its reasonable best efforts to cause its Common Stock to continue to be registered under Sections 12(b) of the Exchange Act, to comply in all material respects with its reporting and filing obligations under the Exchange Act and to not take any action or file any document (whether or not permitted by the Securities Act or the rules promulgated thereunder) to terminate or suspend such registration or to terminate or suspend its reporting and filing obligations under the Exchange Act or Securities Act even if the rules and regulations thereunder would permit such termination.

8. Survival and Indemnification.

8.1 Survival. The representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing of the transactions contemplated by this Agreement.

8.2 Indemnification.

(a) The Company agrees to indemnify and hold harmless each Investor and its Affiliates and their respective directors, officers, trustees, members, managers, employees and agents, and their respective successors and assigns, from and against any and all losses, claims, damages, liabilities and expenses (including without limitation reasonable attorney fees and disbursements and other expenses incurred in connection with investigating, preparing or defending any action, claim or proceeding, pending or threatened and the costs of enforcement thereof) (collectively, "**Losses**") to which such Person may become subject as a result of any breach of representation, warranty, covenant or agreement made by or to be performed on the part of the Company under the Transaction Documents or any third party claim for brokers fees or commissions arising out of or in connection with the Offering (a "**Third Party Broker Claim**"), and will reimburse any such Person for all such amounts as they are incurred by such Person; provided, however, that the Company shall not indemnify or hold harmless any Investor under this Section 8.2(a) who is a director, officer, employee or agent of the Company with respect to a Third Party Broker Claim.

(b) Each Investor, severally and not jointly, agrees to indemnify and hold harmless the Company and its directors, officers, employees and agents, and their respective successors and assigns, from and against any and all Losses to which such Person may become subject as a result of any breach of representation, warranty, covenant or agreement made by or to be performed on the part of the such Investor under the Transaction Documents, and will reimburse any such Person for all such amounts as they are incurred by such Person.

8.3 Conduct of Indemnification Proceedings**.** Any person entitled to indemnification hereunder shall (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification and (ii) permit such indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to the indemnified party; *provided* that any person entitled to indemnification hereunder shall have the right to employ

separate counsel and to participate in the defense of such claim, but the fees and expenses of such counsel shall be at the expense of such person unless (a) the indemnifying party has agreed to pay such fees or expenses, or (b) the indemnifying party shall have failed to assume the defense of such claim and employ counsel reasonably satisfactory to such person or (c) in the reasonable judgment of any such person, based upon written advice of its counsel, a conflict of interest exists between such person and the indemnifying party with respect to such claims (in which case, if the person notifies the indemnifying party in writing that such person elects to employ separate counsel at the expense of the indemnifying party, the indemnifying party shall not have the right to assume the defense of such claim on behalf of such person); and *provided, further*, that the failure of any indemnified party to give notice as provided herein shall not relieve the indemnifying party of its ob ligations hereunder, except to the extent that such failure to give notice shall materially adversely affect the indemnifying party in the defense of any such claim or litigation. It is understood that the indemnifying party shall not, in connection with any proceeding in the same jurisdiction, be liable for fees or expenses of more than one separate firm of attorneys at any time for all such indemnified parties. No indemnifying party will, except with the consent of the indemnified party, consent to entry of any judgment or enter into any settlement that does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation.

9. Miscellaneous.

9.1 Successors and Assigns. This Agreement may not be assigned by a party hereto without the prior written consent of the Company or the Investors, as applicable, *provided, however*, that an Investor may assign its rights and delegate its duties hereunder in whole or in part to an Affiliate or to a third party acquiring some or all of its Securities in a transaction complying with applicable securities laws without the prior written consent of the Company or the other Investors. The provisions of this Agreement shall inure to the benefit of and be binding upon the respective permitt ed successors and assigns of the parties. Without limiting the generality of the foregoing, in the event that the Company is a party to a merger, consolidation, share exchange or similar business combination transaction in which the Common Stock is converted into the equity securities of another Person, from and after the effective time of such transaction, such Person shall, by virtue of such transaction, be deemed to have assumed the obligations of the Company hereunder, the term "Company" shall be deemed to refer to such Person and the term "Shares" shall be deemed to refer to the securities received by the Investors in connection with such transaction. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except that the Placement Agents shall be entitled to rely upon the representations and warranties of the Company and the Investors in Sections 4 and 5 as third beneficiaries thereof.

9.2 Counterparts; Faxes. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may also be executed via facsimile, which shall be deemed an original.

9.3 Titles and Subtitles. The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement.

9.4 Notices. Unless otherwise provided, any notice required or permitted under this Agreement shall be given in writing and shall be deemed effectively given as hereinafter described (i) if given by personal delivery, then such notice shall be deemed given upon such delivery, (ii) if given by telex or telecopier, then such notice shall be deemed given upon receipt of confirmation of complete transmittal, (iii) if given by mail, then such notice shall be deemed given upon the earlier of (A) receipt of such notice by the recipient or (B) three days after such notice is deposited in first class mail, postage prepaid, and (iv) if given by an internatio nally recognized overnight air courier, then such notice shall be deemed given one Business Day after delivery to such carrier. All notices shall be addressed to the party to be notified at the address as follows, or at such other address as such party may designate by ten days' advance written notice to the other party:

If to the Company:

Celsion Corporation
10220 Old Columbia Road - Suite L
Columbia, Maryland 21046
Attention: Michael H. Tardugno, Chief Executive Officer
Fax: (410) 290-5319

With a copy to:

Seyfarth Shaw LLP
620 Eighth Avenue
New York, New York 10018
Attention: Blake Hornick, Esq., Partner
Fax: (917) 344-1203

If to the Investors:

to the addresses set forth on the signature pages hereto.

With a copy to:

Anslow & Jaclin, LLP
195 Route 9 South, Suite 204
Manalapan, New Jersey 07726
Attention: Gregg E. Jaclin, Esq., Partner
Fax: (732) 409-1212

9.5 Expenses. The parties hereto shall pay their own costs and expenses in connection herewith, except that the Company shall pay the reasonable fees and expenses of Anslow & Jaclin, LLP, counsel to the Investors, not to exceed $25,000, regardless of whether the transactions contemplated hereby are consummated. Such expenses shall be paid upon demand. The Company shall reimburse the Investors upon demand for all reasonable out-of-pocket expenses incurred by the Investors, including without limitation reimbursement of attorneys' fees and disbursements, in connection with any amendment, modification or waiver of this Ag reement or the other Transaction Documents. In the event that legal proceedings are commenced by any party to this Agreement against another party to this Agreement in connection with this Agreement or the other Transaction Documents, the party or parties which do

not prevail in such proceedings shall severally, but not jointly, pay their *pro rata* share of the reasonable attorneys' fees and other reasonable out-of-pocket costs and expenses incurred by the prevailing party in such proceedings.

9.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), only with the written consent of the Company and the Investors. Any amendment or waiver effected in accordance with this paragraph shall be binding upon each holder of any Securities purchased under this Agreement at the time outstanding, each future holder of all such Securities, and the Company.

9.7 Publicity. Except as set forth below, no public release or announcement concerning the transactions contemplated hereby shall be issued by the Company or the Investors without the prior consent of the Company (in the case of a release or announcement by the Investors) or the Investors (in the case of a release or announcement by the Company) (which consents shall not be unreasonably withheld), except as such release or announcement may be required by law or the applicable rules or regulations of any securities exchange or securities market, in which case the Company or the Investors, as the case may be, shall allow the Investors or the Company, as applicable, to the extent reasonably practicable in the circumstances, reasonable time to comment on such release or announcement in advance of such issuance. By 8:30 a.m. (New York City time) on the trading day immediately following the Closing Date, the Company shall issue a press release disclosing the consummation of the transactions contemplated by this Agreement. No later than the fourth trading day following the Closing Date, the Company will file a Current Report on Form 8-K attaching the press release described in the foregoing sentence as well as copies of the Transaction Documents. In addition, the Company will make such other filings and notices in the manner and time required by the Commission or Nasdaq.

9.8 Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof but shall be interpreted as if it were written so as to be enforceable to the maximum extent permitted by applicable law, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction. To the extent permitted by applicable law, the parties hereby waive any provision of law which renders any provi sion hereof prohibited or unenforceable in any respect.

9.9 Entire Agreement. This Agreement, including the Exhibits and the Schedule hereto, and the other Transaction Documents constitute the entire agreement among the parties hereof with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, both oral and written, between the parties with respect to the subject matter hereof and thereof.

9.10 Further Assurances. The parties shall execute and deliver all such further instruments and documents and take all such other actions as may reasonably be required to carry out the transactions contemplated hereby and to evidence the fulfillment of the agreements herein contained.

9.11 Governing Law; Consent to Jurisdiction; Waiver of Jury Trial. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of New York without regard to the choice of law principles thereof. Each of the parties hereto irrevocably submits to the exclusive jurisdiction of the courts of the State of New York located in New York County and the United States District Court for the Southern District of New York for the purpose of any suit, action, proceeding or judgment relating to or arising out of this Agreement and the transactions contemplated hereby. Service of process in connection with any such suit, action or proceeding may be served on each party hereto anywhere in the world by the same methods as are specified for the giving of notices under this Agreement. Each of the parties hereto irrevocably consents to the jurisdiction of any such court in any such suit, action or proceeding and to the laying of venue in such court. Each party hereto irrevocably waives any objection to the laying of venue of any such suit, action or proceeding brought in such courts and irrevocably waives any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

9.12 Independent Nature of Investors' Obligations and Rights. The obligations of each Investor under any Transaction Document are several and not joint with the obligations of any other Investor, and no Investor shall be responsible in any way for the performance of the obligations of any other Investor under any Transaction Document. The decision of each Investor to purchase Securities pursuant to the Transaction Documents has been made by such Investor in dependently of any other Investor. Nothing contained herein or in any Transaction Document, and no action taken by any Investor pursuant thereto, shall be deemed to constitute the Investors as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Investors are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Investor acknowledges that no other Investor has acted as agent for such Investor in connection with making its investment hereunder and that no Investor will be acting as agent of such Investor in connection with monitoring its investment in the Securities or enforcing its rights under the Transaction Documents. Each Investor shall be entitled to independently protect and enforce its rights, including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Investor to be joined as an additional party in any proceeding for such purpose. The Company acknowledges that each of the Investors has been provided with the same Transaction Documents for the purpose of closing a transaction with multiple Investors and not because it was required or requested to do so by any Investor.

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

The Company: CELSION CORPORATION

By: /s/ Jeffrey W. Church
Name: Jeffrey W. Church
Title: Vice President and Chief Financial Officer

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The Investor: [ ]

By:_____
Name:
Title:

Aggregate Purchase Price: $
Number of Units:

Address for Notice:

with a copy to:

Attn:
Telephone:
Facsimile:

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Schedule 4.3
Capitalization

SHARES OUTSTANDING

Outstanding Shares as of December 31, 2010	13,331,096

TREASURY SHARES

Shares held in treasury by the Company as of December 31, 2010	760,274

EQUITY AWARDS OUTSTANDING

Outstanding Warrants	1,009,076
Outstanding Stock Options and Restricted Shares pursuant to the Company's Equity Compensation Plans	2,245,046
Total:	**16,585,218**

RESERVES

Shares reserved for future issuance pursuant to the Company's Equity Compensation Plans	1,265,542

REGISTRATION RIGHTS

Registration Rights Agreement dated as of June 17, 2010 by and between the Company and Small Cap Biotech Value, Ltd. (filed as Exhibit 4.1 to the Company's Current Report on Form 8-K as filed with the Commission on June 18, 2010).

PURCHASE RIGHTS

Warrant Agreements dated September 30, 2009.

SHAREHOLDER RIGHTS PLAN ("POISON PILL")

Rights Agreement dated as of August 15, 2002 by and between the Company and American Stock Transfer & Trust Company as Rights Agent, including as Exhibits A, B and C, respectively, the Form of Certificate of Designation for the Series C Junior Participating Preferred Stock, the Form of Right Certificate, and a Summary of the Rights (filed as Exhibit 99.1 to the Company's Current Report on Form 8-K as filed with the Commission on August 21, 2002).

EXHIBIT A
CERTIFICATE OF DESIGNATION

[Filed as Exhibit 3.1 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 18, 2011]

Exhibit B
Form of Warrant

[Filed as Exhibit 4.2 to the Company's Current Report on Form 8-K as filed with the Securities and Exchange Commission on January 18, 2011]

Celsion Corporation Announces Convertible Preferred Stock Financing and Amended License Agreement for Aggregate Gross Proceeds of up to $9 Million

Innovative Financing Extends Runway for Achieving Key 2011 Milestones

COLUMBIA, Md., Jan. 13, 2011 /PRNewswire/ -- Celsion Corporation (Nasdaq: CLSN), an oncology drug development company dedicated to the development and commercialization of innovative oncology drugs, today announced that it has entered into a definitive securities purchase agreement with a select group of institutional investors, including certain officers and directors of the Company, to sell 5,000 shares of 8% redeemable convertible preferred stock with a stated value of $1,000 and warrants to purchase up to 2,083,333 shares of common stock in a registered direct offering. The convertible preferred stock and warrants will be sold in units (the "Units"), with each Unit consisting of one share of convertible preferred stock and a warrant to purchase up to 416.6666 shares of common stock at an exercise price of $3.25 per whole share of comm on stock. The Units are being offered and sold at a negotiated purchase price of $1,000 per Unit. Each share of preferred stock is convertible into shares of common stock at an initial conversion price of $2.40 per share, subject to adjustment in the event of stock splits, recapitalizations or reorganizations that affect all holders of common stock equally. The Company expects to receive gross proceeds from the offering of approximately $5.0 million, before deducting placement agents' fees and estimated offering expenses.

Concurrent with this preferred equity financing, the Company has amended its Development, Product Supply and Commercialization Agreement for the Company's Thermodox® with Yakult Honsha Co. to provide for up to $4.0 million in an accelerated partial payment to the Company of a future drug approval milestone. The terms of the agreement with Yakult provide for the payment to the Company of $2.0 million immediately and an additional $2.0 million conditioned upon the Company's Phase III HEAT Trial Data Management Committee permitting the resumption of enrollment of Japanese patients in the Japan cohort of the study. In consideration of these accelerated milestone payments from Yakult, the Company has agreed to reduce future drug approval milestone payments by approximately 40%. Among other separate prescribed events, receipt by the Compan y of the second $2.0 million from Yakult is a mandatory conversion event for the convertible preferred stock.

The transaction is expected to close on or about January 14, 2011, subject to the satisfaction of customary closing conditions. The Company intends to use the net proceeds from the sale of the Units pursuant to this offering for general corporate purposes, including the funding of the clinical development of its product pipeline of cancer drugs.

Michael H. Tardugno, Celsion's President and Chief Executive Officer, commented, "Through an innovative, shareholder-minded approach to financing, Celsion has secured the capital that is expected to enable it to meet certain key clinical goals at terms that are supportive of all our shareholders. We believe that we now have the financial runway sufficient to complete enrollment in our Phase III primary liver cancer trial, the HEAT study, as well as other related clinical and CMC milestones in 2011.

All of the shares of preferred stock and warrants to purchase shares of common stock are being offered pursuant to a shelf registration statement previously filed with the Securities and Exchange Commission (the "SEC"), which was declared effective by the SEC on April 17, 2009, as supplemented by a prospectus supplement dated January 12, 2011 filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933, as amended.

Dominick & Dominick LLC acted as placement agent for the offering. The Units may only be offered by means of a prospectus. Copies of the prospectus supplement and accompanying base prospectus can be obtained at the SEC's website at http://www.sec.gov or by writing or calling the Company at 10220-L Old Columbia Road, Columbia, Maryland 21046-2364, Attention: Jeffrey Church, Chief Financial Officer, (410) 290-5390.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any securities in this offering. There shall not be any sale of these securities in any state or jurisdiction in which such offering, sale or solicitation would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

About Dominick & Dominick LLC

Dominick & Dominick LLC is a full service, independent securities firm headquartered in New York City, operating in all 50 states and in Switzerland. Founded in 1870, Dominick is one of the oldest, continuously operating broker-dealers in the United States. The firm is registered with the Financial Industry Regulatory Authority (FINRA) and is a member of the Securities Investor Protection Corporation (SIPC).

Additional Information:

Statements made in this press release may be forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, regarding, but not limited to, the proceeds the Company expects to receive from the

offering and the closing of the offering. Forward-looking statements can be identified by the use of words such as "may," "will," "plan," "should," "expect," "anticipate," "estimate," "continue," or comparable terminology. Such forward-looking statements are inherently subject to certain risks, trends and uncertainties, many of which the Company cannot predict with accuracy and some of which the Company might not even anticipate, and involve factors that may cause actual results to differ materially from those projected or suggested. Readers a re cautioned not to place undue reliance on these forward-looking statements and are advised to consider the factors listed above together with the additional factors under the heading "Disclosure Regarding Forward-Looking Statements" and "Risk Factors" in the Company's Annual Reports on Form 10-K, as may be supplemented or amended by the Company's Quarterly Reports on Form 10-Q. The Company assumes no obligation to update or supplement forward-looking statements that become untrue because of subsequent events, new information or otherwise.

Investor Contact
Marcy Nanus
The Trout Group
646-378-2927 or mnanus@troutgroup.com