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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2011

OR

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

For the transition period from ____________ to ____________

Commission file number: 001-15911

CELSION CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**52-1256615**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
997 Lenox Drive, Suite 100 **Lawrenceville, NJ**	**08648**
(Address of principal executive offices)	(Zip Code)

(609) 896-9100
(Registrant's telephone number, including area code)

10220-L Old Columbia Road
Columbia, Maryland 21046
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No Ö

Indicate by check mark whether the Registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes o No o

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company ☑

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No ☑

As of November 9, 2011, the Registrant had 26,689,725 shares of Common Stock, $.01 par value per share, outstanding.

CELSION CORPORATION
QUARTERLY REPORT ON
FORM 10-Q

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Forward-Looking Statements

This report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). All statements other than statements of historical fact are “forward-looking statements” for purposes of this Quarterly Report on Form 10-Q, including any projections of earnings, revenue or other financial items, any statements of the plans and objectives of management for future operations (including, but not limited to, pre-clinical development, clinical trials and manufacturing), any statements concerning proposed drug candidates or other new products or services, any statements regarding future economic conditions or performance, any unforeseen changes in the course of research and development activities and in clinical trials, any possible changes in cost and timing of development and testing, capital structure, and other financial items, any changes in approaches to medical treatment, any introduction of new products by others, any possible acquisitions of other technologies, assets or businesses, any possible actions by customers, suppliers, competitors and regulatory authorities, and any statements of assumptions underlying any of the foregoing. In some cases, forward-looking statements can be identified by the use of terminology such as “may,” “will,” “expects,” “plans,” “anticipates,” “estimates,” “potential” or “continue,” or the negative thereof or other comparable terminology. Although we believe that the expectations reflected in the forward-looking statements contained herein are reasonable, such expectations or any of the forward-looking statements may prove to be incorrect and actual results could differ materially from those projected or assumed in the forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to inherent risks and uncertainties, including, but not limited to, the risk factors set forth in Part II, Item 1A “Risk Factors” below and for the reasons described elsewhere in this Quarterly Report on Form 10-Q. All forward-looking statements and reasons why results may differ included in this report are made as of the date hereof and we do not intend to update any forward-looking statements, except as required by law or applicable regulations. Except where the context otherwise requires, in this Quarterly Report on Form 10-Q, the “Company,” “Celsion,” “we,” “us,” and “our” refer to Celsion Corporation, a Delaware corporation, and, where appropriate, its subsidiaries.

Trademarks

The Celsion brand and product names, including but not limited to Celsion®, contained in this document are trademarks, registered trademarks or service marks of Celsion Corporation in the United States (U.S.) and certain other countries. This document also contains references to trademarks and service marks of other companies that are the property of their respective owners.

PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CELSION CORPORATION
BALANCE SHEETS

ASSETS	September 30, 2011 (unaudited)	December 31, 2010
Current assets:		
Cash and cash equivalents	$ 11,132,890	$ 1,138,916
Short-term investments	10,276,730	395,556
Prepaid expenses and other current assets	804,617	492,184
Total current assets	22,214,237	2,026,656
Property and equipment (at cost, less accumulated depreciation of $1,170,868 and $1,046,758, respectively)	583,428	378,672
Other assets:		
Security deposit on letter of credit	250,000	–
Deposits and other assets	99,895	76,796
Patent licensing fees, net	37,500	43,125
Total other assets	387,395	119,921
Total assets	$ 23,185,060	$ 2,525,249
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,772,654	$ 4,548,586
Other accrued liabilities	1,776,767	2,124,189
Note payable - current portion	88,799	123,465
Total current liabilities	4,638,220	6,796,240
Common stock warrant liability	290,613	248,131
Note payable – non-current portion	–	56,403
Total liabilities	4,928,833	7,100,774
Stockholders' equity (deficit):		
Common stock, $0.01 par value; 75,000,000 shares authorized; 27,388,291 and 14,091,370 shares issued and 26,669,270 and 13,331,096 shares outstanding at September 30, 2011 and December 31, 2010, respectively	273,883	140,914
Additional paid-in capital	139,139,664	99,316,859
Accumulated other comprehensive loss	(157,130)	(18,367)
Accumulated deficit	(118,090,595)	(100,938,261)
Subtotal	21,165,822	(1,498,855)
Treasury stock, at cost (719,021 and 760,274 shares at September 30, 2011 and December 31, 2010, respectively)	(2,909,595)	(3,076,670)
Total stockholders' equity (deficit)	18,256,227	(4,575,525)
Total liabilities and stockholders' equity (deficit)	$ 23,185,060	$ 2,525,249

See accompanying notes to the financial statements.

CELSION CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
Licensing revenue	$ –	$ –	$ 2,000,000	$ –
Operating expenses:				
Research and development	5,414,284	3,951,248	14,726,942	10,665,845
General and administrative	1,408,828	1,220,114	3,906,095	3,544,601
Total operating expenses	6,823,112	5,171,362	18,633,037	14,210,446
Loss from operations	(6,823,112)	(5,171,362)	(16,633,037)	(14,210,446)
Other (expense) income:				
Gain (loss) from valuation of common stock warrant liability	375,378	453,078	(42,482)	712,003
Interest income	26,347	8,590	26,911	30,740
Interest and dividend expense	(13,710)	(7,451)	(494,797)	(24,979)
Other income (expense)	42,145	–	42,145	(19)
Total other income (expense), net	430,160	454,217	(468,223)	717,745
Net Loss	$ (6,392,952)	$ (4,717,145)	$ (17,101,260)	$ (13,492,701)
Net loss per common share – basic and diluted	$ (0.25)	$ (0.38)	$ (0.93)	$ (1.10)
Weighted average shares outstanding – basic and diluted	25,150,084	12,340,445	18,360,149	12,303,195

See accompanying notes to the financial statements.

CELSION CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Cash flows from operating activities:		
Net loss	$ (17,101,260)	$ (13,492,701)
Non-cash items included in net loss:		
Depreciation and amortization	124,110	124,110
Amortization of patent license fee	5,625	5,625
Change in fair value of common stock warrant liability	42,482	(712,003)
Stock-based compensation	892,894	1,193,640
Treasury stock contributed to 401(k) plan	44,638	-
Shares issued in exchange for services	71,550	18,060
Net changes in:		
Refundable income taxes	-	806,255
Prepaid expenses and other current assets	(236,567)	372,932
Deposits and other assets	(23,099)	20,286
Accounts payable	(1,775,932)	550,897
Other accrued liabilities	(347,422)	517,407
Net cash used in operating activities:	(18,302,981)	(10,595,492)
Cash flows from investing activities:		
Purchases of investment securities	(10,415,493)	(11,601,922)
Proceeds from sale and maturity of investment securities	395,556	15,806,235
Security deposit on letter of credit	(250,000)	-
Purchases of property and equipment	(328,866)	(4,492)
Net cash (used in) provided by investing activities	(10,598,803)	4,199,821
Cash flows from financing activities:		
Proceeds from sale of 8% Series A Redeemable, Convertible Preferred Stock, net of issuance costs	4,324,080	-
Proceeds from sale of common stock equity, net of issuance costs	34,268,411	1,376,420
Proceeds from exercise of common stock warrants	394,336	-
Principal payments on note payable	(91,069)	(79,907)
Net cash provided by financing activities	38,895,758	1,296,513
Increase (decrease) in cash and cash equivalents	9,993,974	(5,099,158)
Cash and cash equivalents at beginning of period	1,138,916	6,923,476
Cash and cash equivalents at end of period	$ 11,132,890	$ 1,824,318
Supplemental disclosures of cash flow information:		
Interest and preferred stock dividends paid	$ 494,797	$ 24,979

See accompanying notes to the financial statements.

CELSION CORPORATION
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)

	Common Stock Outstanding		Additional Paid in Capital	Treasury Stock		Accumulated Other Compr. Income	Accumulated Deficit	Total
	Shares	Amount		Shares	Amount			
Balance at December 31, 2010	13,331,096	$ 140,914	$ 99,316,859	760,274	$ (3,076,670)	$ (18,367)	$ (100,938,261)	$ (4,575,525)
Comprehensive loss:								
Net loss	-	-	-	-	-	-	(17,101,260)	(17,101,260)
Unrealized loss on investments available for sale	-	-	-	-	-	(138,763)	-	(138,763)
Total comprehensive loss								(17,240,023)
Valuation of common stock warrants in connection with issuance of 8% Series A Redeemable, Convertible Preferred Stock	-	-	2,030,000	-	-	-	-	2,030,000
Conversion of 8% Series A Redeemable, Convertible Preferred Stock	2,083,322	20,833	2,610,514	-	-	-	-	2,631,347
Shares issued under CEFF, net of issuance costs	1,340,514	13,405	3,102,682	-	-	-	-	3,116,087
Registered Direct and Private Placement Private Placement common stock offerings	9,642,885	96,429	30,794,494	-	-	-	-	30,890,923
Conversion of common stock warrants	142,700	1,427	392,909	-	-	-	-	394,336
Stock-based compensation expense	-	-	892,894	-	-	-	-	892,894
Issuance of restricted stock upon vesting	87,500	875	(875)	-	-	-	-	-
Issuance of common stock out of treasury	41,253	-	187	(41,253)	167,075	-	(51,074)	116,188
Balance at September 30, 2011	26,669,270	$ 273,883	$ 139,139,664	719,021	$ (2,909,595)	$ (157,130)	$ (118,090,595)	$ 18,256,227

CELSION CORPORATION
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Business Description

Celsion Corporation, referred to herein as “Celsion”, “We”, or “the Company,” a Delaware corporation based in Lawrenceville, New Jersey, is an innovative oncology drug development company focused on improving treatment for those suffering with difficult-to-treat forms of cancer. We are working to develop and commercialize more efficient, effective, targeted chemotherapeutic oncology drugs based on our proprietary heat-activated liposomal technology. Our lead product ThermoDox® is being tested in human clinical trials for the treatment of primary liver cancer and recurrent chest wall breast cancer.

Note 2. Basis of Presentation

The accompanying unaudited financial statements of Celsion have been prepared in accordance with generally accepted accounting principles (GAAP) in the United States for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations.

In the opinion of management, all adjustments, consisting only of normal recurring accruals considered necessary for a fair presentation, have been included in the accompanying unaudited financial statements. Operating results for the three and nine month periods ended September 30, 2011 are not necessarily indicative of the results that may be expected for any other interim period(s) or for any full year. For further information, refer to the financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 filed with the Securities and Exchange Commission on March 28, 2011.

The preparation of financial statements in conformity with GAAP requires management to make judgments, estimates, and assumptions that affect the amount reported in the Company’s financial statements and accompanying notes. Actual results could differ materially from those estimates.

Events and conditions arising subsequent to the most recent balance sheet date have been evaluated for their possible impact on the financial statements and accompanying notes. See Note 14 for transactions occurring after the September 30, 2011 balance sheet date.

Note 3. New Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB and are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued accounting pronouncements will not have a material impact on the Company’s consolidated financial position, results of operations, and cash flows, or do not apply to our operations.

In October 2009, the FASB issued ASU No. 2009-13, “Multiple-Deliverable Revenue Arrangements.” ASU 2009-13 amends existing revenue recognition accounting pronouncements that are currently within the scope of FASB ASC Topic 605. This consensus provides accounting principles and application guidance on how the arrangement should be separated, and the consideration allocated. This guidance changes how to determine the fair value of undelivered products and services for separate revenue recognition. Allocation of consideration under this pronouncement is based on management’s estimate of the selling price for undelivered items where there is no other means to determine the fair value of that undelivered item. This new approach is effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early application permitted. The Company adopted this standard effective January 1, 2011. The adoption of this standard did not have an impact on the presentation of our financial statements.

In April 2010, FASB issued ASU No. 2010-17, “Revenue Recognition — Milestone Method,” which provides guidance on defining a milestone and determining when it may be appropriate to apply the milestone method of revenue recognition for research or development transactions. Research or development arrangements frequently include payment provisions whereby a portion or all of the consideration is contingent upon milestone events such as successful completion of phases in a study or achieving a specific result from the research or development efforts. The amendments in this ASU provide guidance on the criteria that should be met for determining whether the milestone method of revenue recognition is appropriate. The ASU is effective for fiscal years and interim periods within those years beginning on or after June 15, 2010, with early adoption permitted. We have historically followed the milestone method. The Company adopted this standard effective January 1, 2011 which did not have an impact on the presentation of our financial statements.

In June 2011, the Financial Accounting Standards Board (FASB) amended its guidance on the presentation of comprehensive income in financial statements to improve the comparability, consistency and transparency of financial reporting and to increase the prominence of items that are recorded in other comprehensive income. The new accounting guidance requires entities to report components of comprehensive income in either (1) a continuous statement of comprehensive income or (2) two separate but consecutive statements. The provisions of this new guidance are effective for fiscal years, and interim periods within those years, beginning after December 15, 2011.

There were no new accounting pronouncements issued or effective during the first nine months of 2011 that have had or are expected to have a material impact on the Company’s Financial Statements.

Note 4. Net Loss per Common Share

Basic earnings per share is calculated based upon the net loss available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share is calculated after adjusting the denominator of the basic earnings per share computation for the effects of all dilutive potential common shares outstanding during the period. The dilutive effects of options, warrants and their equivalents are computed using the treasury stock method.

For the three and nine months ended September 30, 2011 and 2010, diluted loss per common share was the same as basic loss per common share as all options and warrants that were convertible into shares of the Company’s common stock were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive. The total number of outstanding warrants and equity awards for the periods ended September 30, 2011 and 2010 were 11,492,716 and 3,527,610 common stock equivalent shares, respectively.

Note 5. Short-Term Investments Available For Sale

Short-term investments available for sale of $10,276,730 and $395,556 as of September 30, 2011 and December 31, 2010, respectively, consist of commercial paper, corporate debt securities and equity securities. They are valued at fair value, with unrealized gains and losses reported as a separate component of stockholders’ equity in Accumulated Other Comprehensive Income.

Securities available for sale are evaluated periodically to determine whether a decline in their value is other than temporary. The term “other than temporary” is not intended to indicate a permanent decline in value. Rather, it means that the prospects for near term recovery of value are not necessarily favorable, or that there is a lack of evidence to support fair values equal to, or greater than, the carrying value of the security. Management reviews criteria such as the magnitude and duration of the decline, as well as the reasons for the decline, to predict whether the loss in value is other than temporary. Once a decline in value is determined to be other than temporary, the value of the security is reduced and a corresponding charge to earnings is recognized.

Short-term investments - at fair value	**September 30, 2011**	**December 31, 2010**
Bonds - corporate issuances	$ 10,276,730	$ 301,632
Equity securities	–	93,924
Total short-term investments, available for sale	$ 10,276,730	$ 395,556

A summary of the cost and fair value of the Company's short-term investments is as follows:

	September 30, 2011		December 31, 2010	
	Cost	Fair Value	Cost	Fair Value
Short-term investments				
Bonds - corporate issuances	$ 10,316,970	$ 10,276,730	$ 301,632	$ 301,632
Equity securities	108,373	–	108,373	93,924
Total investments available for sale	$ 10,425,343	$ 10,276,730	$ 410,005	$ 395,556
Bond maturities				
Within 3 months	$ –	$ –	$ 301,632	$ 301,632
Between 3-12 months	10,316,970	10,276,730	–	–
Total	$ 10,316,970	$ 10,276,730	$ 301,632	$ 301,632

Note 6. Fair Value of Financial Instruments

FASB Accounting Standards Codification (ASC) Section 820 (formerly SFAS No. 157) " *Fair Value Measurements and Disclosures,"* establishes a three level hierarchy for fair value measurements which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The three levels of inputs that may be used to measure fair value are as follows:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date;

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data; and

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions that market participants would use in pricing an asset or liability.

The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized exchanges (Level 1 inputs) or matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The common stock warrant liability has been valued using the Black-Scholes option pricing model, the inputs of which are more fully described in Note 12 to the financial statements.

The following table presents information about assets and liabilities recorded at fair value on a recurring basis at September 30, 2011 and December 31, 2010 on the Company's Balance Sheet:

	Total Fair Value on the Balance Sheet	Quoted Prices In Active Markets For Identical Assets /Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Short-term investments available for sale, September 30, 2011	$ 10,276,730	$ 10,276,730	$ –	$ –
Short-term investments available for sale, December 31, 2010	$ 395,556	$ 301,632	$ –	$ 93,924
Liabilities:				
Common stock warrant liability, September 30, 2011	$ 290,613	$ –	$ –	$ 290,613
Common stock warrant liability, December 31, 2010	$ 248,131	$ –	$ –	$ 248,131

There were no transfers of assets or liabilities between Level 1 and Level 2 and no transfers in or out of Level 3 during the three and nine month periods ended September 30, 2011.

Note 7. Prepaids and Other Current Assets

Other current assets at September 30, 2011 and December 31, 2010 include the following:

	September 30, 2011	December 31, 2010
Advances to investigator sites	$ 561,745	$ –
Raw materials for ThermoDox® registration batches	182,236	132,451
Deferred expenses associated with Committed Equity Financing Facility (Note 10)	–	274,806
Franchise taxes receivable	49,929	41,364
Prepaid insurance	10,707	–
Interest and other receivables	–	6,063
Prepaid professional fees	–	37,500
Total	$ 804,617	$ 492,184

Note 8. Other Accrued Liabilities

Other accrued liabilities at September 30, 2011 and December 31, 2010 include the following:

	September 30, 2011	December 31, 2010
Amounts due to Contract Research Organizations and other contractual agreements	$ 1,087,886	$ 1,497,441
Accrued payroll and related benefits	537,038	460,614
Accrued professional fees	124,609	138,900
Other	27,234	27,234
Total	$ 1,776,767	$ 2,124,189

Note 9. Note Payable

In October 2009, the Company financed $288,200 of lab testing equipment through a capital lease. This lease obligation has thirty monthly payments of $11,654 through April 2012. During the first nine months of 2011 and 2010, the Company made principal and interest payments totaling $104,866 in each period. The outstanding lease obligation is $88,799 as of September 30, 2011.

Note 10. Preferred Stock and Stockholders' Equity

The Company filed with the Securities and Exchange Commission a $50 million shelf registration statement on Form S-3 that allows the Company to issue any combination of common stock, preferred stock or warrants to purchase common stock or preferred stock. This shelf registration was declared effective on April 17, 2009. As of July 25, 2011, this shelf registration statement had been fully utilized.

January 2011 Preferred Stock Offering

In January 2011, the Company 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 were 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 share of common stock. The Units were 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 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. Concurrent with the issuance and sale of the Units, the Company issued warrants (the "Placement Agent Warrants") to purchase up to 350 shares of Preferred Stock at an exercise price of $1,000 per whole share of Preferred Stock to certain affiliates of Dominick and Dominick LLC, as the placement agent.

The Company received gross proceeds from the offering of approximately $5.1 million, before deducting placement agents' fees and offering expenses. The preferred shares are convertible into shares of common stock by the holders thereof at any time and have a mandatory redemption date of January 14, 2013 at a stated redemption value of $1,000 per preferred share. The convertible preferred shares are also subject to mandatory conversion upon the occurrence of certain events, including the sale of Common Stock in one or more offerings for not less than $4.00 per share and aggregate gross proceeds of $10 million, the achievement of a twenty day trading average of our Common Stock above $6.00 per share, or the receipt of an aggregate at least $4,000,000 as actual, or advanced payment of future, license, milestone or royalty payments from a strategic, licensing or development partner.

Until such time as the preferred shares are redeemed, issued and outstanding shares accrue dividends at a rate of 8% per annum. Dividends on the convertible preferred shares are payable on a quarterly basis from the original issue date commencing on April 15, 2011 and are payable only in cash.

The Units were sold pursuant to the Company's shelf registration statement on Form S-3 (Registration No. 333-158402), which was declared effective by the SEC 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. In connection with the offering, placement agent fees and other offering expenses totaling $675,918 were capitalized as deferred financing fees and were amortized as interest costs over the period from inception until the January 14, 2013 mandatory redemption date. When the preferred shares are converted, the unamortized portion related to such shares are recorded as a cost of capital. Deferred financing fees of $77,853 were amortized during the nine months ended September 30, 2011. During the period from the date of the offering and through September 30, 2011, all 5,000 preferred shares were converted into 2,083,322 shares of the Company's common stock. In connection with these conversions, deferred financing fees of $598,065 were reclassified as a cost of capital.

During the third quarter of 2011, one holder of 25 shares of preferred stock voluntarily converted their preferred shares into 10,416 shares of the Company's common stock. As a result of the Securities Purchase Agreement between the Company and certain institutional investors entered into on July 20, 2011 and closed on July 25, 2011, the mandatory conversion of all outstanding preferred stock was triggered. During the third quarter of 2011, 839 shares of 8% Series A Redeemable Convertible Preferred Stock were outstanding, which are convertible into 349,582 shares of our common stock. The mandatory conversions occurred in August 2011. No other shares of preferred stock were outstanding after this conversion.

During the third quarter of 2011, Placement Agent Warrants were exercised resulting in receipt by holders of 71,666 shares of common stock collectively. The Company received gross proceeds of $172,000 from the exercise of these warrants.

June 2, 2011 Private Placement Offering

On June 2, 2011, the Company completed the issuance and sale in a private placement transaction with institutional investors, as well as certain officers and directors of the Company, of 3,218,612 shares of common stock (the "Common Stock") and warrants (the "Warrants") to purchase up to 3,218,612 shares of common stock. The Common Stock and Warrants were sold in units (the "Units"), with each Unit consisting of one share of Common Stock and a Warrant to purchase one share of common stock. Units sold to unaffiliated institutional investors were sold at a negotiated purchase price of $2.65 per Unit and to officers and directors at $2.895 per Unit, the latter representing the consolidated closing bid price per share of Common Stock plus a warrant premium of $0.125 per Unit. The Warrants are immediately exercisable and have a term of exercise of seventy-eight months from the date of issuance and an exercise price of $2.77 per share. The Company received gross proceeds from the offering of approximately $8.6 million before deducting estimated offering expenses.

Concurrent with the issuance and sale of the Units, Common Stock and Warrants pursuant to the Purchase Agreement, the Company also entered into a Registration Rights Agreement with the Investors (the "Registration Rights Agreement") that required the Company to file a resale registration statement with the Securities and Exchange Commission covering the resale by the Investors of the Common Stock and the shares of common stock issuable upon exercise of the Warrants. These Units were filed pursuant to Rule 424(b)(3) under the Securities Act of 1933 on the Prospectus for Registration Statement No. 333-174960 and was declared effective on June 24, 2011.

July 6, 2011 Registered Direct Offering

On July 6, 2011, the Company completed the issuance and sale in a registered offering of 2,095,560 shares of our common stock and warrants to purchase up to 628,668 shares of our common stock to institutional investors. The securities were sold in units at a price of $3.1675 per unit, with each unit consisting of one share of common stock and a warrant to purchase 0.3 shares of common stock, for an aggregate offering price of $6,637,688 (the "Offering"). Net proceeds from the offering were approximately $6 million.

Each Warrant to purchase shares of Common Stock will have an exercise price of $3.13 per share, for total potential additional proceeds to the Company of up to approximately $2 million upon exercise of the Warrants. The Warrants are immediately exercisable for cash or, solely in the absence of an effective registration statement, by net exercise and will expire five years from the date of issuance.

The offer and sale of the Common Stock and Warrants (and the shares of Common Stock issuable upon exercise of the warrants) are registered under the Securities Act of 1933 (the "Securities Act"), as amended, on a registration statement on Form S-3 (File No. 333-158402).

During the third quarter of 2011, warrants issued in this offering were exercised for 71,034 shares of common stock. The Company received gross proceeds of $222,336 from the exercise of these warrants.

July 25, 2011 Registered Direct and Private Placement Offerings

On July 25, 2011, the Company completed a registered offering of 3,047,682 shares of its common stock and warrants (the "RD Warrants") to purchase up to 914,305 shares of its common stock. The common stock and the warrants were sold in units at a price of $4.2575 per unit, with each unit consisting of one share of the Company's common stock and a warrant to purchase 0.30 shares of the Company's common stock, for an aggregate registered offering price of $12,975,506 (the "Registered Offering").

The offer and sale of the Company's common stock issued in the Registered Offering and the shares of common stock issuable upon exercise of the warrants issued in the Registered Offering are registered under the Securities Act of 1933, as amended (the "Securities Act"), on a registration statement on Form S-3 (File No. 333-158402), as supplemented and amended by the prospectus supplement filed with the Securities and Exchange Commission on July 25, 2011.

On July 20, 2011, the Company entered into a Purchase Agreement (the "Private Placement Purchase Agreement" and, together with the Registered Direct Purchase Agreement, the "Agreements") under which the Company agreed to enter into a private placement with other accredited institutional investors, a member of the Company's Board of Directors, and an accredited institutional investor affiliated another member of the Company's Board of Directors (collectively, the "Private Offering Purchasers"). Pursuant to the Private Placement Purchase Agreement, the Company issued 1,281,031 shares of its common stock and warrants (the "Private Placement Warrants") to purchase up to 512,412 shares of its common stock. The Private Placement Purchase Agreement provided that the securities will be sold in units at a price of $4.27 per unit, with each unit consisting of one share of the Company's common stock and a warrant to purchase 0.40 shares of the Company's common stock, for an aggregate private offering price of $5,469,998 (the "Private Offering," collectively with the Registered Offering, the "Offerings").

In the Offerings, each warrant to purchase shares of the Company's common stock will have an exercise price of $4.22 per share, for total potential additional proceeds to the Company of up to approximately $6 million upon exercise of the warrants. The warrants in the Offerings are immediately exercisable for cash or, solely in the absence of an effective registration statement, by net exercise and will expire five years from the date of issuance.

Concurrent with the issuance and sale of the Private Offering common stock and warrants, the Company also entered into a Registration Rights Agreement with the Private Offering Purchasers (the "Registration Rights Agreement") that requires the Company to file a registration statement within 30 days of the closing date on July 25, 2011 with the Securities and Exchange Commission covering the resale by the Private Offering Purchasers of the common stock issued in the Private Offering and the shares of common stock issuable upon exercise of the warrants issued in the Private Offering. These Units were filed pursuant to Rule 424(b)(3) under the Securities Act of 1933 on the Prospectus for Registration Statement No. 333-176486 and was declared effective on September 22, 2011.

The purchase and issuance of securities in the Offerings were completed on July 25, 2011. Net proceeds from the Registered Offering and the Private Placement Offering aggregated approximately $17 million.

Committed Equity Financing Facility (CEFF)

On June 17, 2010, we entered into a Committed Equity Financing Facility (CEFF) with Small Cap Biotech Value Ltd. (SCBV). The CEFF provides that, upon the terms and subject to the conditions set forth therein, SCBV is committed to purchase up to $15.0 million worth of our shares of common stock over the 24-month term of the CEFF under certain specified conditions and limitations, provided that in no event may we sell under the CEFF more than 2,404,434 shares of common stock, which is equal to one share less than 20% of our outstanding shares of common stock on June 17, 2010, the closing date of the CEFF, less the number of shares of common stock we issued to SCBV on the closing date as Commitment Shares (described below). Furthermore, in no event shall SCBV purchase any shares of our common stock which, when aggregated with all other shares of our common stock then beneficially owned by SCBV, would result in the beneficial ownership by SCBV of more than 9.9% of the then outstanding shares of our common stock. These maximum share and beneficial ownership limitations may not be waived by the parties.

In partial consideration for SCBV's execution and delivery of the CEFF, we issued to SCBV 40,000 shares of our common stock (the "Commitment Shares"). The issuance of the Commitment Shares, together with all other shares of common stock issuable to SCBV pursuant to the terms of the CEFF, is exempt from registration under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to the exemption for transactions by an issuer not involving any public offering under Section 4(2) and Regulation D under the Securities Act.

In the second half of 2010, the Company completed three draws and sales to SCBV under the CEFF collectively totaling 1,063,919 shares of common stock for gross proceeds of $2,577,061. Broker fees and other expenses associated with the 2010 draws totaled $84,722.

During 2011, the Company completed the following draws and sales to SCBV under the CEFF as follows:

Date	Shares Issued	Gross Proceeds	Per Share	Broker Fees and Expenses
March 16, 2011	275,855	$ 608,347	$ 2.21	$ 19,489
April 25, 2011	407,703	867,680	$ 2.13	27,872
May 6, 2011	656,956	1,949,117	$ 2.97	280,891
Total	1,340,514	$ 3,425,144	$ 2.56	$ 328,252

In connection with the CEFF, the Company capitalized and deferred approximately $332,000 of fees and expenses. A portion of these amounts were amortized each time the Company completed a draw under the CEFF. During 2011, $274,806 of these expenses was amortized in connection with the three draws in 2011.

The proceeds from the CEFF draws were used for general corporate purposes, including the funding of the Company's clinical development pipeline of cancer drugs. SCBV is an accredited investor as such term is defined in Rule 501 of Regulation D of the Securities Act of 1933, as amended (the "Securities Act"), and all sales of the Company's common stock to SCBV pursuant to the CEFF were exempt from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D of the Securities Act. The Company has registered the resale of the shares of common stock issued to SCBV pursuant to the CEFF under the Securities Act on a registration statement on Form S-1.

Availability under the CEFF was exhausted during the second quarter of 2011. Also, in connection with recent equity offerings in the second quarter of 2011, the Company agreed to suspend the use of the CEFF and expensed the unamortized deferred financing fees of $274,806 in the second quarter of 2011.

Note 11. Stock-Based Compensation

Stock Options Plans

The Company has long-term compensation plans that permit the granting of incentive awards in the form of stock options. Generally, the terms of these plans require that the exercise price of the options may not be less than the fair market value of Celsion's Common Stock on the date the options are granted. Options granted generally vest over various time frames or upon milestone accomplishments. The Company's options generally expire ten years from the date of the grant.

In 2007, the Company adopted the Celsion Corporation 2007 Stock Incentive Plan (the "2007 Plan") under which 1,000,000 shares were authorized for issuance. The purpose of the 2007 Plan is to promote the long-term growth and profitability of the Company by providing incentives to improve stockholder value and enable the Company to attract, retain and reward the best available persons for positions of substantial responsibility. The 2007 Plan permits the granting of equity awards in the form of incentive stock options, nonqualified stock options, restricted stock, restricted stock units, stock appreciation rights, phantom stock, and performance awards, or in any combination of the foregoing. At the Annual Meeting of Stockholders of Celsion held on June 25, 2010, the stockholders approved an amendment to the Plan. The only material difference between the existing Plan and the amended Plan was the number of shares of common stock available for issuance under the amended Plan which was increased by 1,000,000 to a total of 2,000,000 shares.

Prior to the adoption of the 2007 Plan, the Company previously adopted two stock plans for directors, officers and employees (one in 2001 and another in 2004) under which 666,667 shares were reserved for future issuance under each of these plans. As these plans have been superseded by the 2007 Plan, any options previously granted which expire, forfeit, or cancel under these plans can be rolled into the 2007 Plan.

The fair values of stock options granted were estimated at the date of grant using the Black-Scholes option pricing model. The Black-Scholes model was originally developed for use in estimating the fair value of traded options, which have different characteristics from Celsion's stock options. The model is also sensitive to changes in assumptions, which can materially affect the fair value estimate.

The Company used the following assumptions for determining the fair value of options granted under the Black-Scholes option pricing model:

	Nine months ended September 30, 2011	Nine months ended September 30, 2010
Risk-free interest rate	2.29% – 2.97 %	2.40% - 3.24 %
Expected volatility	72.2% -81.1 %	71.9% -82.8 %
Expected life (in years)	6.25	5-6.5
Expected forfeiture rate	0.0 %	0.0 %
Expected dividend yield	0.0 %	0.0 %

Expected volatilities utilized in the model are based on historical volatility of the Company's stock price. The risk free interest rate is derived from values assigned to U.S. Treasury bonds as published in the Wall Street Journal in effect at the time of grant. The model incorporates exercise, pre-vesting and post-vesting forfeiture assumptions based on analysis of historical data. The expected life of the fiscal 2011 and 2010 grants was generated using the simplified method as allowed under Securities and Exchange Commission Staff Accounting Bulletin No. 107.

Total compensation cost related to employee stock options and restricted stock awards amounted to $332,918 and $418,021 for the three months ended September 30, 2011 and 2010, respectively, and $892,894 and $1,193,640 for the nine months ended September 30, 2011 and 2010, respectively . No compensation cost related to share-based payments arrangements was capitalized as part of the cost of any asset at September 30, 2011 and 2010.

As of September 30, 2011, there was $2.1 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements. That cost is expected to be recognized over a weighted-average period of 2.3 years. The weighted average grant-date fair value of the options granted during the nine months ended September 30, 2011 was $2.62 per share and the weighted average grant-date fair value of the restricted stock awards during the nine months ended September 30, 2011 was $2.68 per share.

A summary of the Company's stock option and restricted stock awards for nine month period ended September 30, 2011 is as follows:

Equity Awards	Stock Options: Options Outstanding	Stock Options: Weighted Average Exercise Price	Restricted Stock Awards: Non-vested Restricted Stock Outstanding	Restricted Stock Awards: Weighted Average Grant Date Fair Value	Weighted Average Contractual Terms of Equity Awards (in years)
Equity awards outstanding at December 31, 2010	2,167,646	$ 3.74	77,400	$ 3.47	
Equity awards granted	1,149,167	$ 2.62	37,500	$ 2.68	
Equity awards exercised	–	–	(65,700)	$ 3.12	
Equity awards forfeited, cancelled or expired	(237,033)	$ 3.24	(5,833)	$ 4.05	
Equity awards outstanding at September 30, 2011	3,079,810	$ 3.43	43,367	$ 3.24	6.9
Aggregate intrinsic value of outstanding awards at September 30, 2011	$ 756,587		$ 140,439		
Equity awards exercisable at September 30, 2011	1,718,648	$ 3.97			5.5
Aggregate intrinsic value of vested awards at September 30, 2011	$ 335,705				

Collectively, for all the stock option plans as of September 30, 2011, there were a total of 3,444,888 shares reserved, which were comprised of 3,123,177 equity awards granted and 321,711 equity awards still available for future issuance.

Note 12. Warrants

Common Stock Warrant Liability

On September 30, 2009, pursuant to the April 17, 2009 shelf registration statement, the Company closed a registered direct offering with a select group of institutional investors that raised gross proceeds of $7.1 million and net proceeds of $6.3 million. The Company sold 2,018,153 units at a price of $3.50 per unit. Each unit consisted of one share of common stock and a warrant to purchase 0.5 shares of common stock. The warrants have an exercise price of $5.24 per share and are exercisable at any time on or after the six month anniversary of the date of issuance and on or prior to 66 months after the date of issuance. Under the terms of the warrants, upon certain transactions, including a merger, tender offer or sale of all or substantially all of the assets of the Company, each warrant holder may elect to receive a cash payment in exchange for the warrant, in an amount determined by application of the Black-Scholes option pricing model. Accordingly, pursuant to ASC 815.40, *Derivative Instruments and Hedging - Contracts in Entity's Own Equity* , the warrants are recorded as a liability and then marked to market each period through the Statement of Operations in other income or expense. As of September 30, 2009, the Company recorded a warrant liability of $1.6 million based on the fair value offset by a reduction in additional-paid in-capital. At the end of each subsequent quarter, the Company revalues the fair value of the warrants and the change in fair value will be recorded as a change to the warrant liability and the difference will be recorded through the Statement of Operations in other income or expense.

The fair value of the warrants at September 30, 2011 and December 31, 2010 was $0.7 million and $0.2 million, respectively, calculated using the Black-Scholes option-pricing model with the following assumptions:

	September 30, 2011	December 31, 2010
Risk-free interest rate	0.96 %	2.02 %
Expected volatility	61.8 %	63.5 %
Expected life (in years)	1.75	2.1
Expected forfeiture rate	0.0 %	0.0 %
Expected dividend yield	0.00 %	0.00 %

As a result of this adjustment, the Company recorded a non-cash charge of $42,482 in the nine months ended September 30, 2011. The following is a summary of the changes in the common stock warrant liability for the nine months ended September 30, 2011:

Beginning balance, January 1, 2011	$	248,131
Issuances		-
Loss from the adjustment for the change in fair value included in net loss		42,482
Ending balance, September 30, 2011	$	290,613

As more fully described in Note 10, the Company completed five equity financing transactions in the first nine months of 2011.

In connection with the January 2011 Preferred Stock Offering, the Company issued warrants to purchase up to 2,083,333 shares of common stock with an exercise price of $3.25 per whole share of common stock and Placement Agent Warrants to purchase up to 350 shares of the convertible preferred stock. These Placement Agent Warrants are equivalent to 145,833 shares of common stock at an exercise price of $2.40 per whole share.

In connection with the June 2, 2011 Private Placement Offering, the Company issued warrants to purchase up to 3,218,612 shares of common stock with an exercise price of $2.77 per whole share of common stock.

In connection with the July 6, 2011 Registered Direct Offering, the Company issued warrants to purchase up to 628,668 shares of common stock with an exercise price of $3.13 per whole share of common stock.

In connection with the July 25, 2011 Registered Direct Offering, the Company issued warrants to purchase up to 914,305 shares of common stock with an exercise price of $4.22 per whole share of common stock.

In connection with the July 25, 2011 Private Placement Offering, the Company issued warrants to purchase up to 512,412 shares of common stock with an exercise price of $4.22 per whole share of common stock.

The following is a summary of all warrant activity for the nine months ended September 30, 2011:

Warrants	Number Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Outstanding at December 31, 2010	1,009,076	$ 5.24		
Common stock warrants granted in connection with the January 2011 Preferred Stock Offering	2,083,333	3.25		
Placement Agent Warrants granted (as if exercised and converted to common stock)	145,833	2.40		
Common stock warrants granted in connection with the June 2, 2011 Private Placement Offering	3,218,612	2.77		
Common stock warrants granted in connection with the July 6, 2011 Registered Direct Offering	628,668	3.13		
Common stock warrants granted in connection with the July 25, 2011 Registered Direct Offering	914,305	4.22		
Common stock warrants granted in connection with the July 25, 2011 Private Placement Offering	512,412	4.22		
Exercise of common stock warrants	(142,700)	2.76		
Canceled or expired	–	–		
Outstanding and exercisable at September 30, 2011	8,369,539	$ 3.46	5.17	$ 7,416

Note 13. Licensing Transaction

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 provided for (i) a payment by Yakult to the Company of $2 million that the Company received 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®, a payment by Yakult to the Company 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 the Company may receive in the future will have been reduced by approximately forty percent (40%).

Note 14. Subsequent Events

Relocation of Corporate Offices

On July 21, 2011, the Company executed a lease (the "Lease") with Brandywine Operating Partnership, L.P. (Brandywine), a Delaware limited partnership for a 10,870 square foot premises located in Lawrenceville, New Jersey. On October 3, 2011, the Company relocated its offices to Lawrenceville, New Jersey from Columbia, Maryland. The lease has a term of 66 months and provides for 6 months rent free, with the first monthly rent payment of approximately $23,000 due in April 2012. Also, as required by the Lease, the Company provided Brandywine with an irrevocable and unconditional standby letter of credit for $250,000, which the Company secured with an escrow deposit at its banking institution of this same amount. The standby letter of credit will be reduced by $50,000 on each of the 19th, 31st and 43rd months from the initial term, with the remaining $100,000 amount remaining until the Lease Term has expired.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Forward-Looking Statements

Statements and terms such as "expect", "anticipate", "estimate", "plan", "believe" and words of similar import regarding our expectations as to the development and effectiveness of its technologies, the potential demand for our products, and other aspects of our present and future business operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Although we believe that our expectations are based on reasonable assumptions within the bounds of our knowledge of our industry, business and operations, we cannot guarantee that actual results will not differ materially from our expectations. In evaluating such forward-looking statements, readers should specifically consider the various factors contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, our Quarterly Report on Form 10Q for the fiscal quarter ended March 31, 2011, our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 and Part II, Item 1A. "Risk Factors" of this Quarterly Report on Form 10Q, which factors include, without limitation, unforeseen changes in the course of research and development activities and in clinical trials; possible changes in cost and timing of development and testing, capital structure, and other financial items; changes in approaches to medical treatment; introduction of new products by others; possible acquisitions of other technologies, assets or businesses; and possible actions by customers, suppliers, competitors and regulatory authorities. These and other risks and uncertainties could cause actual results to differ materially from those indicated by forward-looking statements.

The discussion of risks and uncertainties set forth in this Quarterly Report on Form 10-Q, our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011, and in our most recent Annual Report on Form 10-K as well as in other filings with the SEC, is not necessarily a complete or exhaustive list of all risks facing the Company at any particular point in time. We operate in a highly competitive, highly regulated and rapidly changing environment and our business is in a state of evolution. Therefore, it is likely that new risks will emerge, and that the nature and elements of existing risks will change, over time. It is not possible for management to predict all such risk factors or changes therein, or to assess either the impact of all such risk factors on our business or the extent to which any individual risk factor, combination of factors, or new or altered factors, may cause results to differ materially from those contained in any forward-looking statement. We disclaim any obligation to revise or update any forward-looking statement that may be made from time to time by us or on our behalf.

Strategic and Clinical Overview

Celsion Corporation is an innovative oncology drug development company focused on the development of treatments for those suffering with difficult to treat forms of cancer. We are working to develop and commercialize more efficient, effective, targeted chemotherapeutic oncology drugs based on our proprietary heat-activated liposomal technology. The promise of this drug technology is to maximize efficacy while minimizing side-effects common to cancer treatments.

Our lead product ThermoDox® is being evaluated in a Phase III clinical trial for primary liver cancer (the HEAT study) and a Phase I/II study for recurrent chest wall breast cancer. ThermoDox® is a liposomal encapsulation of doxorubicin, an approved and frequently used oncology drug for the treatment of a wide range of cancers. Localized mild hyperthermia (greater than 40 degrees Celsius) releases the encapsulated doxorubicin from the liposome enabling high concentrations of doxorubicin to be deposited preferentially in a targeted tumor.

The U.S. Food and Drug Administration (FDA) has designated our pivotal Phase III HEAT 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 may 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). Drug research and development is an inherently uncertain process and there is a high risk of failure at every stage prior to approval and the timing and the outcome of clinical results is extremely difficult to predict. Clinical development successes and failures can have a disproportionate positive or negative impact on our scientific and medical prospects, financial prospects, financial condition, and market value.

We have also demonstrated feasibility for a product pipeline of cancer drugs that employ our heat activated liposomal technology in combination with known chemotherapeutics including docetaxel and carboplatin. We believe that our technology can improve efficacy and safety of anticancer agents whose mechanism of action and safety profile are well understood by the medical and regulatory communities. Our approach provides a comparatively cost effective, low risk approval pathway. An element of our business strategy is to pursue, as resources permit, the research and development of a range of product candidates for a variety of indications. This is intended to allow us to diversify the risks associated with our research and development expenditures. To the extent we are unable to maintain a broad range of product candidates, our dependence on the success of one or a few product candidates would increase. Additionally, we have formed a joint research agreement with Royal Philips Electronics to evaluate the combination of Philips' high intensity focused ultrasound (HIFU) with ThermoDox® to determine the potential of this combination to treat a broad range of cancers.

On December 5, 2008, we entered into a development, product supply and commercialization agreement with Yakult Honsha Co. (the Yakult Agreement) under which Yakult was granted the exclusive right to commercialize and market ThermoDox® for the Japanese market. We were paid a $2.5 million up-front licensing fee and we have the potential to receive additional payments from Yakult upon receipt of marketing approval by the Japanese Ministry of Health, Labor and Welfare as well as upon the achievement of certain levels of sales and approval for new indications. Under the Yakult Agreement, we will receive double digit escalating royalties on the sale of ThermoDox® in Japan, when and if any such sales occur and we also will be the exclusive supplier of ThermoDox® to Yakult. Concurrent with a preferred equity financing in January 2011, we amended the Yakult Agreement to provide for up to $4.0 million in an accelerated partial payment to us of a future drug approval milestone. The terms of the Yakult Agreement provided for the payment to us of $2.0 million upon the closing of the preferred equity financing and an additional $2.0 million conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT Study. In consideration of these accelerated milestone payments from Yakult, we have agreed to reduce future drug approval milestone payments by approximately forty percent (40%). All other milestone payments are unaffected.

On July 11, 2011, after reviewing data from 535 randomized patients enrolled in our pivotal Phase III HEAT study, the Data Monitoring Committee (DMC) for this trial unanimously recommended that the trial continue to enroll patients at all clinical sites except for those in Japan with the goal of reaching enrollment of 600 patients, as required to complete the study. The DMC maintained its recommendation to continue withholding enrollment of additional patients in Japan pending certain guidance from the Pharmaceuticals and Medical Devices Agency (PMDA) in Japan. The recommendation followed a review of safety data from 18 Japanese patients enrolled in the study, when compared to patient data from the rest of the Phase III trial. As a part of its commitment to the PMDA, the DMC independently assesses patients randomized at Japanese sites. The DMC continues to review safety and efficacy data in accordance with the PMDA in Japan and the DMC's charter, however there can be no assurance that the DMC will permit resumption of patient enrollment in Japan or at all nor can there be any assurance that we will receive the second $2 million payment from Yakult pursuant to the amended Yakult Agreement.

On August 3, 2011, we announced that we had reached our preplanned enrollment objective of 600 patients in the pivotal Phase III HEAT study. The target enrollment figure is designed to ensure that the study's primary end point, progression-free survival, can be achieved with adequate statistical power, and is one of two triggers for an interim efficacy analysis by the study's DMC. The second trigger is the occurrence of 190 progression-free survival (PFS) events in the study population. We met the second trigger of 190 PFS events in the third quarter of 2011, which allows us to conduct the planned interim analysis in the fourth quarter of 2011. However, as previously noted, drug research and development is an inherently uncertain process and we can not assure that the interim analysis will be a success or will be completed within a reasonable timeframe, or at all.

Consistent with our global regulatory strategy, we are continuing to enroll patients in the HEAT study in order to randomize at least 200 patients in the Peoples Republic of China (PRC), a requirement for registrational filing in the PRC. The HEAT study has enrolled a sufficient number to support registrational filing in South Korea and Taiwan, two important markets for ThermoDox®. Continued enrollment will not affect the timing of the planned interim analysis, and is designed to improve the timeline to the final data read out, though we can not guarantee such a result.

Our current business strategy also includes the possibility of entering into collaborative arrangements with third parties to complete the development and commercialization of our product candidates. In the event that third parties take over the clinical trial process for one or more of our product candidates, the estimated completion date would largely be under the control of that third party rather than us. We cannot forecast with any degree of certainty which proprietary products or indications, if any, will be subject to future collaborative arrangements, in whole or in part, and how such arrangements would affect our development plan or capital requirements. We may also apply for subsidies, grants, or government or agency-sponsored studies that could reduce our development costs.

As a result of the uncertainties discussed above, among others, we are unable to estimate the duration and completion costs of our research and development projects or when, if ever, and to what extent we will receive cash inflows from the commercialization and sale of a product. Our inability to complete our research and development projects in a timely manner or our failure to enter into collaborative agreements when appropriate could significantly increase our capital requirements and could adversely impact our liquidity. While our estimated future capital requirements are uncertain and could increase or decrease as a result of many factors, including the extent to which we choose to advance our research, development and clinical trials, or if we are in a position to pursue manufacturing, commercialization activities, it is clear we will need significant additional capital to develop our product candidates through clinical development, manufacturing, and commercialization. We do not know whether we will be able to access additional capital when needed or on terms favorable to us or our stockholders. Our inability to raise additional capital, or to do so on terms reasonably acceptable to us, would jeopardize the future success of our business.

As a clinical stage biopharmaceutical company, our business and our ability to execute our strategy to achieve our corporate goals are subject to numerous risks and uncertainties. Material risks and uncertainties relating to our business and our industry are described in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011, our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011 and this Quarterly Report on Form 10Q.

FINANCIAL REVIEW FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

Results of Operations

Our net loss was $6.4 million, or $0.25 per basic and diluted share, for the three months ended September 30, 2011 compared to $4.7 million, or $0.38 per basic and diluted share, for the same period of 2010. Our net loss was $17.1 million, or $0.93 per basic and diluted share, for the first nine months of 2011 compared to $13.5 million, or $1.10 per basic and diluted share, for the same period of 2010. As of September 30, 2011, we had $21.4 million in cash and short-term investments.

	Three Months Ended September 30,			
	($ amounts in 000's)		**Change**	
	2011	**2010**	**$**	**%**
Operating expenses:				
Clinical Research	$ 4,195	$ 3,062	$ 1,133	37.0 %
Chemistry, Manufacturing and Controls	1,219	889	330	37.1 %
Research and development	5,414	3,951	1,463	37.0 %
General and administrative	1,409	1,220	189	15.5 %
Total operating expenses	$ 6,823	$ 5,171	$ 1,652	31.9 %
Loss from operations	$ (6,823)	$ (5,171)	$ (1,652)	(31.9 %)

	Nine Months Ended September 30,			
	($ amounts in 000's)		Change	
	2011	2010	$	%
Licensing Revenue:	$ 2,000	$ –	$ 2,000	100 %
Operating expenses:				
Clinical Research	$ 11,759	$ 8,422	$ 3,337	40.0 %
Chemistry, Manufacturing and Controls	2,968	2,244	724	32.3 %
Research and development	14,727	10,666	4,061	38.0 %
General and administrative	3,906	3,545	361	10.2 %
Total operating expenses	18,633	14,211	4,422	31.1 %
Loss from operations	$ (16,633)	$ (14,211)	$ (2,422)	(17.0 %)

Comparison of the three months ended September 30, 2011 and 2010

Research and Development Expenses

Research and development (R&D) expenses increased by approximately $1.4 million from $4.0 million in the third quarter of 2010 to $5.4 million in the same period of 2011. Costs associated with our Phase III liver cancer clinical trial increased to $3.1 million in the third quarter of 2011 compared to $2.2 million in the same period of 2010. This increase is primarily the result of costs for investigator grants, monitoring costs and milestone payments associated with higher patient enrollment levels for the Phase III HEAT study. Costs associated with our chest wall breast cancer clinical trial decreased by approximately $0.1 million to $0.1 million in the third quarter of 2011 compared to $0.2 million in the same period of 2010. Costs associated with the start up of our colorectal liver metastases trial were $0.2 million in the third quarter. Costs associated with the production of ThermoDox® increased to $1.2 million in the third quarter of 2011 compared to $0.9 million in the same period of 2010 primarily due to ongoing progress towards developing our commercial manufacturing capabilities for ThermoDox®.

General and Administrative Expenses

General and administrative (G&A) expenses increased to $1.4 million in the third quarter of 2011 compared to $1.2 million in the same period of 2010. This increase is largely the result of an increase in professional fees and personnel costs in 2011. We continue to carefully monitor operating costs and focus our financial resources on completing enrollment and patient follow-up in the Phase III HEAT study.

Other Expense and Income

A warrant liability was incurred as a result of warrants we issued in a public offering in September 2009. This liability is calculated at its fair market value using the Black-Scholes option-pricing model and is adjusted at the end of each quarter. For the third quarter of 2011, we recorded a non cash gain of approximately $0.4 million based on the change in the fair value from the end of the prior quarter compared to recording a non cash gain of $0.5 million in the same period of 2010.

Comparison of the nine months ended September 30, 2011 and 2010

Licensing Revenue

In the first quarter of 2011, we recognized $2 million in licensing revenue after amending our development, product supply and commercialization agreement for ThermoDox® with Yakult Honsha Co. to provide for accelerated payments of up to $4 million in future milestone payments, including $2 million that was paid to us on January 12, 2011, in exchange for a reduction in product approval milestones that we may receive in the future under the Yakult Agreement.

Research and Development Expenses

R&D expenses increased by approximately $4.0 million to $14.7 million in the first nine months of 2011 as compared to $10.7 million in the same period of 2010. Costs associated with the Phase III liver cancer clinical trial increased to $9.1 million in the first nine months of 2011 compared to $5.7 million in the same period of 2010. This increase is primarily the result of costs for investigator grants, monitoring costs and milestone payments associated with higher patient enrollment levels for the Phase III HEAT study. Costs associated with our chest wall breast cancer clinical trial decreased to $0.3 million in the first half of 2011 compared to $0.5 million in the same period of 2010. We completed the Phase I portion of this trial in the first half of 2011. Costs associated with the production of ThermoDox® increased to $3.0 million in the first nine months of 2011 compared to $2.2 million in the same period of 2010 primarily due to ongoing progress towards developing our commercial manufacturing capabilities for ThermoDox®.

General and Administrative Expenses

G&A expenses increased to $3.9 million in the first nine months of 2011 compared to $3.5 million in the same period of 2010. This increase is primarily due to an increase in professional fees and personnel costs in 2011. We continue to carefully monitor operating costs and focus its efforts and financial resources on completing enrollment and patient follow-up in the Phase III HEAT study.

Other Expense and Income

A warrant liability was incurred as a result of warrants we issued in a public offering in September 2009. This liability is calculated at its fair market value using the Black-Scholes option-pricing model and is adjusted at the end of each quarter. During the first nine months of 2011, we recorded a non cash warrant liability charge of $0.1 million compared to recording a non cash gain of $0.7 million in the same period of 2010.

In connection with the shares of preferred stock we issued in our January 2011 preferred stock offering, we incurred interest charges of approximately $0.5 million in the first nine months of 2011. In connection with our July 2011 financings, all outstanding shares of preferred stock mandatorily converted into common stock in August 2011. See the section titled “Financial Condition, Liquidity and Capital Resources” below for additional information regarding the July 2011 financings and the conversion of preferred stock.

Financial Condition, Liquidity and Capital Resources

Since inception, excluding the net aggregate payments received from Boston Scientific of $43 million through the divestiture of our medical device business in 2007 (which we received in installments of $13 million in 2007 and $15 million in each of 2008 and 2009), we have incurred significant losses and negative cash flows from operations. We have financed our operations primarily through the net proceeds we received in this divesture, subsequent sales of equity and amounts received under our product licensing agreement with Yakult. The process of developing and commercializing ThermoDox® requires significant research and development work and clinical trial studies, as well as significant manufacturing and process development efforts. We expect these activities, together with our general and administrative expenses to result in significant operating losses for the foreseeable future. Our expenses have significantly and regularly exceeded our revenues, and we had an accumulated deficit of $118 million at September 30, 2011.

At September 30, 2011 we had total current assets of $22.2 million (including cash and short term investments of $21.4 million) and current liabilities of $4.6 million, resulting in working capital of $17.6 million. At December 31, 2010, we had total current assets of $2.0 million (including cash and short term investments of $1.5 million) and current liabilities of $6.8 million, resulting in a working capital deficit of $4.8 million. The equity financing transactions in the first three quarters of 2011 raised approximately $40 million in net proceeds to the Company, significantly strengthening its financial condition.

Net cash used in operating activities for the first nine months of 2011 was $18.3 million. The $18.3 million net cash requirement was funded from cash on hand, licensing revenue received under the Yakult Agreement, and proceeds from the sale of equity securities described in more detail below. We raised approximately $23.0 million in additional net equity proceeds in the registered direct and private placement offerings that closed in July 2011. See the sections titled “July 6, 2011 Registered Direct Offering” and “July 25, 2011 Registered Direct and Private Placement Offerings” below. The Company believes its current cash position is sufficient to fund its operations for the next twelve months.

Additional capital will be required in 2012 to develop our product candidates through clinical development, manufacturing, and commercialization. We may seek additional capital through further public or private equity offerings, debt financing, additional strategic alliance and licensing arrangements, collaborative arrangements or some combination of these alternatives. If we raise additional funds through the issuance of equity securities, stockholders will likely experience dilution and the equity securities may have rights, preferences, or privileges senior to those of the holders of our common stock. If we raise funds through the issuance of debt securities, those securities would have rights, preferences, and privileges senior to those of our common stock. If we seek strategic alliances, licenses, or other alternative arrangements, such as arrangements with collaborative partners or others, we may need to relinquish rights to certain of our existing or future technologies, product candidates, or products which we would otherwise seek to develop or commercialize on our own, or to license the rights to our technologies, product candidates, or products on terms that are not favorable to us. The overall status of the economic climate could also result in the terms of any equity offering, debt financing, or alliance, license, or other arrangement being even less favorable to us and our stockholders than if the overall economic climate were stronger. In addition, we will continue to seek government sponsored research collaborations and grants.

If adequate funds are not available through either the capital markets, strategic alliances, or collaborators, we may be required to delay, reduce the scope of or eliminate our research, development or clinical programs or our manufacturing or commercialization efforts, effect additional changes to our facilities or personnel or obtain funds through other arrangements that may require us to relinquish some of our assets or rights to certain of our existing or future technologies, product candidates or products on terms not favorable to us. Our inability to raise additional capital, or to do so on terms reasonably acceptable to us, may have a negative effect on our business, results of operations and financial condition.

Net cash provided by financing activities was $38.9 million for the first nine months of 2011 which consisted of $4.3 million from the January 2011 preferred stock offering described below under the heading “January 2011 Preferred Stock Offering”, $7.8 million from the private placement offering we completed under the heading “June 2, 2011 Private Placement Offering”, $6.0 million from the registered direct offering we completed under the heading “July 6, 2011 Registered Direct Offering”, $17.0 million from the registered direct and private placement offerings we completed under the heading “July 25, 2011 Registered Direct and Private Placement Offerings”, $0.4 million from the exercise of preferred stock and common stock warrants and $3.4 million of gross proceeds from the Committed Equity Financing Facility described below under Part II, Item 2 “Unregistered Sales of Equity Securities and Use of Proceeds”, partially offset by $0.1 million of principal payments made on notes payable.

January 2011 Preferred Stock Offering

On January 14, 2011, we completed the issuance and sale of 5,000 shares of our 8% redeemable convertible preferred stock and warrants to purchase up to 2,083,333 shares of common stock to institutional investors as well as certain officers and directors of the Company in a registered direct offering. The convertible preferred stock and warrants were sold in 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 common stock. The units were 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. Concurrent with the issuance and sale of the units, the Company issued warrants to purchase up to 350 shares of the convertible preferred stock at an exercise price of $1,000 per whole share of preferred stock to certain affiliates of Dominick & Dominick LLC, as placement agent for the offering. The Company received gross proceeds from the offering of approximately $5.1 million, before deducting placement agent fees and offering expenses.

Each share of preferred stock was 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 affecting all holders of common stock equally. The mandatory conversion provisions of the convertible preferred stock were triggered by the July 25, 2011 registered direct and private placement offerings described below under the heading “July 25, 2011 Registered Direct and Private Placement Offerings”, since the sale of our common stock in those offerings was for not less than $4.00 per share and we received aggregate gross proceeds of at least $10 million in those offerings. As a result, 839 shares of convertible preferred stock which were outstanding at the time, were converted into 349,582 shares of our common stock.

Until the shares of convertible preferred stock were converted on or about August 5, 2011, issued and outstanding shares accrued dividends at a rate of 8% per annum. Dividends on the shares of convertible preferred stock were payable on a quarterly basis from the original issue date, commencing on April 15, 2011 and were payable only in cash. During the first nine months of 2011, the Company accrued dividends of approximately $0.5 million on the outstanding shares of preferred stock. These amounts were paid within 15 days of the end of each fiscal quarter and upon conversion of the shares of convertible preferred stock.

During the third quarter of 2011, warrants issued in this offering were exercised, resulting in receipt by the holders of such warrants of 71,666 shares of common stock collectively. The Company received gross proceeds of $172,000 from the exercise of these warrants.

June 2, 2011 Private Placement Offering

On June 2, 2011, we completed the issuance and sale of 3,218,612 shares of our common stock and warrants to purchase up to 3,218,612 shares of common stock to institutional investors as well as certain officers and directors of the Company in a private placement transaction. The common stock and warrants were sold in units, with each unit consisting of one share of common stock and a warrant to purchase one share of common stock. Units sold to unaffiliated institutional investors were sold at a negotiated purchase price of $2.65 per unit and to officers and directors at $2.895 per unit, the latter representing the consolidated closing bid price per share of common stock plus a warrant premium of $0.125 per unit. The warrants are exercisable on or after December 2, 2011 at an exercise price of $2.77 and expire 78 months after the date of issuance. The Company received gross proceeds from the offering of approximately $8.6 million, before deducting placement agent fees and offering expenses. Concurrent with the issuance and sale of the units, the Company entered into a registration rights agreement with the investors that required the Company to file a registration statement with the Securities and Exchange Commission covering the resale by the investors of the common stock and the shares of common stock issuable upon exercise of the warrants, which registration statement became effective on June 24, 2011.

July 6, 2011 Registered Direct Offering

On July 6, 2011, we completed the issuance and sale in a registered direct offering of 2,095,560 shares of our common stock and warrants to purchase up to 628,668 shares of common stock to institutional investors. The common stock and warrants were sold in units at a price of $3.1675 per unit, with each unit consisting of one share of common stock and a warrant to purchase 0.3 shares of common stock. The warrants were exercisable immediately at an exercise price of $3.13 and expire five years from the date of issuance. The Company received gross proceeds from the offering of approximately $6.6 million, before deducting placement agent fees and offering expenses.

During the third quarter of 2011, warrants issued in this offering were exercised for 71,034 shares of common stock. The Company received gross proceeds of $222,336 from the exercise of these warrants.

July 25, 2011 Registered Direct and Private Placement Offerings

On July 25, 2011, we completed the issuance and sale in a registered direct offering of 3,047,682 shares of our common stock and warrants to purchase up to 914,305 shares of common stock to institutional investors. The common stock and warrants were sold in units at a price of $4.2575 per unit, with each unit consisting of one share of common stock and a warrant to purchase 0.3 shares of common stock. The warrants were exercisable immediately at an exercise price of $4.22 and expire five years from the date of issuance. The Company received gross proceeds from the offering of approximately $13.0 million, before deducting placement agent fees and offering expenses.

On July 25, 2011, we also completed the issuance and sale of 1,281,031 shares of our common stock and warrants to purchase up to 512,412 shares of common stock to institutional investors as well as a director of the Company and an investor affiliated with another director of the Company in a private placement transaction. The common stock and warrants were sold in units at a price of $4.27 per unit, with each unit consisting of one share of common stock and a warrant to purchase 0.4 shares of common stock. The warrants were exercisable immediately at an exercise price of $4.22 and expire five years from the date of issuance. The Company received gross proceeds from the offering of approximately $5.5 million, before deducting placement agent fees and offering expenses. Concurrent with the issuance and sale of the units, the Company entered into a registration rights agreement with the investors that required the Company to file a registration statement with the Securities and Exchange Commission covering the resale by the investors of the common stock and the shares of common stock issuable upon exercise of the warrants, which registration statement became effective on September 22, 2011.

Committed Equity Financing Facility

On June 17, 2010, we entered into a Committed Equity Financing Facility (CEFF) with Small Cap Biotech Value Ltd. (SCBV). The CEFF provided that, upon the terms and subject to the conditions set forth therein, SCBV would purchase shares of common stock valued at up to $15.0 million over the 24-month term of the CEFF under certain specified conditions and limitations, including that in no event would we sell under the CEFF more than 2,404,434 shares of common stock (i.e., one share less than 20% of our outstanding shares of common stock on June 17, 2010, the closing date of the CEFF) less the number of shares of common stock we issued to SCBV on the closing date as commitment shares SCBV also agreed that in no event would SCBV purchase any shares of our common stock which, when aggregated with all other shares of our common stock then beneficially owned by SCBV, would result in the beneficial ownership by SCBV of more than 9.9% of the then outstanding shares of our common stock. These maximum share and beneficial ownership limitations were not able to be waived by the parties.

During 2011, we completed three draws and sales to SCBV under the CEFF as follows:

Date	Shares Issued	Gross Proceeds	Per Share	Broker Fees and Expenses
March 16, 2011	275,855	$ 608,347	$ 2.21	$ 19,489
April 25, 2011	407,703	867,680	$ 2.13	27,872
May 6, 2011	656,956	1,949,117	$ 2.97	280,891
Total	1,340,514	$ 3,425,144	$ 2.56	$ 328,252

The proceeds of the draws were used for general corporate purposes, including the funding of the Company's clinical development pipeline of cancer drugs. SCBV is an accredited investor as such term is defined in Rule 501 of Regulation D of the Securities, and all sales of our common stock to SCBV pursuant to the CEFF were exempt from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D of the Securities Act. We registered the resale of the shares of common stock issued to SCBV pursuant to the CEFF under the Securities Act on a registration statement on Form S-1.

Availability under the CEFF was exhausted during the second quarter of 2011. The CEFF terminated automatically on the date on which SCVB purchased the entire commitment amount under the CEFF.

Off-Balance Sheet Arrangements and Contractual Obligations

We have no off-balance sheet financing arrangements other than in connection with our operating leases, which are disclosed in the contractual commitments table in our Form 10-K for the year ended December 31, 2010.

Item 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK .

The primary objective of our investment activities is to preserve our capital until it is required to fund operations while at the same time maximizing the income we receive from our investments without significantly increasing risk. Our cash flow and earnings are subject to fluctuations due to changes in interest rates in our investment portfolio. We maintain a portfolio of various issuers, types, and maturities. These securities are classified as available-for-sale and, consequently, are recorded on the balance sheet at fair value with unrealized gains or losses reported as a component of accumulated other comprehensive income (loss) included in stockholders' equity.

Item 4. CONTROLS AND PROCEDURES

We have carried out an evaluation, under the supervision and with the participation of management, including our principal executive officer and principal financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as that term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended. Based on that evaluation, our principal executive officer and principal financial officer have concluded that, as of September 30, 2011, which is the end of the period covered by this report, our disclosure controls and procedures are effective at the reasonable assurance level in alerting them in a timely manner to material information required to be included in our periodic reports with the Securities and Exchange Commission.

There were no changes in our internal controls over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 of the Securities Exchange Act of 1934, as amended, that occurred during the three months ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

PART II: OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors, which could materially affect our business, financial condition or future results, discussed in Part I, “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended December 31, 2010, Part II, Item 1A. “Risk Factors” in our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2011 and Part II, Item 1A. “Risk Factors” in our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2011.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

July 25, 2011 Private Placement Offering

On July 25, 2011, we also completed the issuance and sale of 1,281,031 shares of our common stock and warrants to purchase up to 512,412 shares of common stock to institutional investors as well as a director of the Company and an investor affiliated with another director of the Company in a private placement transaction. The common stock and warrants were sold in units at a price of $4.27 per unit, with each unit consisting of one share of common stock and a warrant to purchase 0.4 shares of common stock. The warrants were exercisable immediately at an exercise price of $4.22 and expire five years from the date of issuance. The Company received gross proceeds from the offering of approximately $5.5 million, before deducting placement agent fees and offering expenses. Concurrent with the issuance and sale of the units, the Company entered into a registration rights agreement with the investors that required the Company to file a registration statement with the Securities and Exchange Commission covering the resale by the investors of the common stock and the shares of common stock issuable upon exercise of the warrants, which registration statement became effective on September 22, 2011.

We intend to use the net proceeds from the sale of securities in the July 25, 2011 private placement offering for general corporate purposes, including the funding of the clinical development of our product pipeline of cancer drugs. Pending the application of the net proceeds, we intend to invest the net proceeds in short-term, investment grade, interest-bearing securities.

Committed Equity Financing Facility

On June 17, 2010, we entered into a Committed Equity Financing Facility (CEFF) with Small Cap Biotech Value Ltd. (SCBV). The CEFF provided that, upon the terms and subject to the conditions set forth therein, SCBV would purchase shares of common stock valued at up to $15.0 million over the 24-month term of the CEFF under certain specified conditions and limitations, including that in no event would we sell under the CEFF more than 2,404,434 shares of common stock (i.e., one share less than 20% of our outstanding shares of common stock on June 17, 2010, the closing date of the CEFF) less the number of shares of common stock we issued to SCBV on the closing date as commitment shares SCBV also agreed that in no event would SCBV purchase any shares of our common stock which, when aggregated with all other shares of our common stock then beneficially owned by SCBV, would result in the beneficial ownership by SCBV of more than 9.9% of the then outstanding shares of our common stock. These maximum share and beneficial ownership limitations were not able to be waived by the parties.

During 2011 we completed three draws and sales to SCBV under the CEFF as follows:

Date	Shares Issued	Gross Proceeds	Per Share	Broker Fees and Expenses
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Total	1,340,514	$ 3,425,144	$ 2.56	$ 328,252

The proceeds of the draws were used for general corporate purposes, including the funding of the clinical development pipeline of cancer drugs. SCBV is an accredited investor as such term is defined in Rule 501 of Regulation D of the Securities Act, and all sales of our common stock to SCBV pursuant to the CEFF were exempt from registration pursuant to Section 4(2) of the Securities Act and Rule 506 of Regulation D of the Securities Act. We registered the resale of the shares of common stock issued to SCBV pursuant to the CEFF under the Securities Act on a registration statement on Form S-1.

Availability under the CEFF was exhausted during the second quarter of 2011. The CEFF terminated automatically on the date on which SCVB purchased the entire commitment amount under the CEFF.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. [Removed and Reserved].

Item 5. Other Information.

None.

Item 6. Exhibits.

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith)

31.2 Certification of Principal Financial Officer pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. (Filed herewith)

32.1* Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (Furnished herewith)

10.1 Employment agreement dated September 15, 2011 between Celsion Corporation and Michael H. Tardugno, President and Chief Executive Officer

101** The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2011, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Condensed Consolidated Balance Sheets, (ii) the unaudited Condensed Consolidated Statements of Operations, (iii) the unaudited Condensed Consolidated Statements of Cash Flows, and (iv) Notes to Condensed Consolidated Financial Statements.

*Exhibit 32.1 is being furnished and shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act, except as otherwise stated in such filing.

**Exhibit 101 is being furnished and, in accordance with Rule 406T of Regulation S-T, shall not be deemed to be "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability of that section, nor shall such exhibit be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act of 1933, as amended, or the Securities Exchange Act.

SIGNATURES

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

November 10, 2011

CELSION CORPORATION

Registrant

By: */s/ Michael H. Tardugno*
Michael H. Tardugno
President and Chief Executive Officer

By: */s/ Gregory Weaver*
Gregory Weaver
Senior Vice President and Chief Financial Officer

Exhibit 31.1

CELSION CORPORATION
CERTIFICATION

I, Michael H. Tardugno, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Celsion Corporation;

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

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

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

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

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

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

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

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

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

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

Celsion Corporation

November 10, 2011

By: /s/ *Michael H. Tardugno*
Michael H. Tardugno
President and Chief Executive Officer

CELSION CORPORATION
CERTIFICATION

I, Gregory Weaver, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Celsion Corporation;

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

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

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

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

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

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

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

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

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

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

Celsion Corporation

November 10, 2011

By: /s/ *Gregory Weaver*
Gregory Weaver
Senior Vice President and Chief Financial Officer

Exhibit 32.1

CELSION CORPORATION

SECTION 1350 CERTIFICATIONS*

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), each of the undersigned hereby certifies that, to the best of his knowledge, (i) the Quarterly Report on Form 10-Q for the period ended September 30, 2011 of Celsion Corporation (the “Company”) filed with the Securities and Exchange Commission on the date hereof fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and (ii) the information contained in such report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 10, 2011	By:	*/s/ Michael H. Tardugno*
		Michael H. Tardugno President and Chief Executive Officer
November 10, 2011	By:	*/s/ Gregory Weaver*
		Gregory Weaver Senior Vice President and Chief Financial Officer

* This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act (whether made before or after the date of the Form 10-Q), irrespective of any general incorporation language contained in such filing.

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "Agreement") is made and entered into effective as of the 15th day of September 2011 (the "Effective Date"), by and between Celsion Corporation, a Delaware corporation (the "Company"), and Michael H. Tardugno**.,** an individual (the "Executive").

WITNESSETH

WHEREAS, the Company desires to retain the Executive to serve in the capacities of President and Chief Executive Officer of the Company on the terms and conditions set forth in this Agreement; and

WHEREAS, the Executive desires to accept employment in such capacities on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties hereto, such parties, intending to be legally bound, agree as follows:

1. Employment Duties and Acceptance.

(a) In accordance with the terms of this Agreement, the Company hereby employs the Executive, for the Term (as hereinafter defined), to render full-time services to the Company as President and Chief Executive Officer and to perform the customary duties and bear the customary responsibilities of such positions and such other duties and responsibilities, commensurate with such positions, as the Executive shall be directed from time to time by the Board (the "Board") of the Company to perform or bear, which duties and responsibilities shall be consistent with the provisions of the Bylaws of the Company in effect on the date hereof that relate to or bear upon the duties of the President and Chief Executive Officer, all in accordance with the terms of this Agreement.

(b) The Executive hereby accepts such employment and agrees to render the services described above, in accordance with the terms of this Agreement.

(c) The Executive further agrees to accept election and to serve during all or any part of the Term as a director of the Company without any compensation therefor other than that specified in this Agreement, if elected to such position by the Board or the stockholders of the Company. At all times during the Term, the Company shall include the Executive in the management slate for election as a director at every stockholders' meeting at which his term as a director would otherwise expire. At the request of the Board, following termination or expiration of this Agreement, the Executive promptly shall tender his resignation as a director of the Company.

(d) The principal place of employment of the Executive hereunder shall at all times during the Term be in the Columbia, Maryland area or such other location(s) as may be mutually acceptable to the Executive and the Board.

(e) Notwithstanding anything to the contrary herein, although the Executive shall provide services as a full-time employee, it is understood that the Executive, with prior notification to the Board, may (1) participate in professional activities; (2) publish academic articles; (3) support non-competing external research programs; and (4) participate in community and/or philanthropic activities (collectively, "Permitted Activities"), *provided*, that such Permitted Activities do not interfere with the Executive's duties or services to the Company.

2. Term of Employment.

The initial term of the Executive's employment under this Agreement (the "Term") shall commence on the Effective Date and shall end on the January 31, 2016, unless sooner terminated by the Company or the Executive pursuant to Section 6, 7 or 8 of this Agreement, as the case may be, or voluntarily by the Executive. Notwithstanding the foregoing, unless notice is given by the Executive or the Company to the other at least three (3) months prior to the expiration of the Term of this Agreement (including at least three (3) months prior to the expiration of any extension hereof, as provided below), the Term automatically shall be extended by one (1) year from the date it would otherwise end (whether upon expiration of the initial Term or any extension(s) thereof), unless sooner terminated pursuant to Section 6, 7 or 8 hereof or voluntarily by the Executive. In the event of such an automatic extension, the term "Term," as used herein, shall include each and any such extension.

3. Compensation and Benefits.

(a) As compensation for the services to be rendered pursuant to this Agreement, the Company agrees to pay the Executive, during the period from the Effective Date through and including December 31, 2011, an annual base salary in the amount of $412,307 (the "Base Salary"). The Executive's Base Salary hereunder shall be reviewed as of January 1, 2012 and at least annually thereafter during the Term of the Agreement for adjustment upward (but not downward) in the discretion of the Board or the Compensation Committee of the Board. The Executive's Base Salary, as so adjusted, shall be considered the new Base Salary for all purposes of this Agreement. The Base Salary shall be paid in accordance with the Company's standard payroll practices applicable to its senior executives.

(b) The Company agrees that the Executive shall be eligible for an annual performance bonus from the Company with respect to each fiscal year of the Company that ends during the Term, pursuant to the Company's management incentive bonus program, or policy or practice of the Board or Compensation Committee, in effect from time to time. The amount of any such performance bonus shall be determined by the Board or the Compensation Committee of the Board in its sole and absolute discretion, consistent with the Company's performance, the Executive's contribution to the Company's performance and the provisions of any such applicable incentive bonus program, policy or practice; *provided, however,* that such annual performance bonus shall not exceed seventy percent (70%) of the Base Salary for the fiscal year to which the bonus applies except pursuant to a specific finding by the Board or the Compensation Committee of the Board that a higher percentage is appropriate. Any such annual performance bonus shall be paid not later than two and one-half months after the end of the fiscal year to which the bonus relates.

(c) The Company agrees to grant to the Executive, during the Term, at the time of its usual annual grant to employees for the applicable year, such options and/or other equity awards with respect to shares of the Company's common stock as the Board or the Compensation Committee of the Board shall determine. In the event of a Change in Control (as defined in Section 12) of the Company, all such options and other equity awards granted by the Company to the Executive prior to such event, shall immediately vest and, in the case of options and similar awards, become and remain fully exercisable through their respective original maximum terms (provided that, after giving effect to such accelerated vesting and providing the Executive a reasonable opportunity to exercise such vested options and similar awards, such options and awards shall be subject to earlier termination in connection with a change in control of the Company and similar events as provided in the applicable plan and/or award agreement) and otherwise in accordance with their respective terms and conditions.

(d) The Company shall pay or reimburse the Executive for all reasonable expenses actually incurred or paid by the Executive during the Term in the performance of services under this Agreement, upon presentation of expense statements or vouchers or such other supporting information as may reasonably be required pursuant to the standard policies of the Company in effect from time to time. The Executive agrees to promptly submit and document any reimbursable expenses in accordance with the Company's expense reimbursement policies to facilitate the timely reimbursement of such expenses. Additionally, the Executive shall receive a $12,000 annual allowance to be used at the Executive's discretion. The allowance will be grossed up for tax purposes at the rate of 25%. Such allowance and related tax gross-up shall be paid not later than two and one-half months after the end of the year to which the allowance relates.

(e) During the Term, the Company shall, at its election, reimburse the Executive for term life insurance at a level equal to one (1) times his Base Salary, or provide coverage for the Executive at such level.

(f) During the Term, the Executive shall be eligible to participate in all qualified and non-qualified savings and retirement plans, and all other compensation and benefit plans and programs, including welfare and fringe benefit programs that are generally made available by the Company to other senior executives of the Company, in each case in accordance with the eligibility and participation provisions of such plans and programs and as such plans or programs may be in effect from time to time.

(g) During the Term, the Executive shall be eligible for paid vacation of four (4) weeks per calendar year taken in accordance with the vacation policy of the Company. In the event that Executive does not utilize all of his vacation in any calendar year, he may carry forward up to four (4) weeks (twenty (20) days) for up to one (1) calendar year. Unused vacation days shall not otherwise accumulate.

4. Confidentiality.

The Executive acknowledges and agrees that the "Employee Proprietary Information and Ownership of Inventions Agreement" annexed hereto as Exhibit A shall be deemed incorporated in and made a part of this Employment Agreement. Notwithstanding any other provision of this Agreement, the Executive shall continue to be bound by the terms of such Proprietary Information and Inventions Agreement for a period of five (5) years after the expiration or termination of this Agreement for any reason. The Executive and the Company agree that following expiration or termination of this Agreement for any reason the Proprietary Information and Inventions Agreement shall be applicable only to material, non-public, proprietary information of the Company.

5. Non-Competition, Non-Solicitation and Non-Disparagement.

(a) During the Term, the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity without the consent of the Board or (2) participate in the formation of any business or commercial entity without the consent of the Board; *provided, however*, that nothing contained in this Section 5(a) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) not exceeding two percent (2%) of such corporation's (or other entity's) then-outstanding shares of capital stock (or other interests) and, *provided further*, that nothing contained herein shall be deemed to limit the Executive's Permitted Activities pursuant to Section 1(e).

(b) If this Agreement is terminated by the Company for Cause (as defined in Section 6(c)) or if the Executive terminates this Agreement other than in accordance with Section 7 or 8 hereof, or if the Executive is entitled to receive severance payments in connection with a termination of his employment in accordance with Section 9(c)(i) or 9(d)(i), then for a period of two (2) years following the date of termination the Executive shall not (1) provide any services, directly or indirectly, to any other business or commercial entity in the Company's Field of Interest (as defined in Section 12), (2) solicit any customers or suppliers of the Company, (3) attempt to persuade or encourage customers or suppliers of the Company not to do business with the Company and/or to do business with a competitor of the Company, (4) participate in the formation of any business or commercial entity engaged primarily in the Company's Field of Interest, or (5) directly or indirectly employ, or seek to employ or secure the services in any capacity of, any person employed at that time by the Company or any of its Affiliates, or otherwise encourage or entice any such person to leave such employment; provided, however, that nothing contained in this Section 5(b) shall be deemed to prohibit the Executive from acquiring, solely as an investment, shares of capital stock (or other interests) of any corporation (or other entity) in the Company's Field of Interest not exceeding two percent (2%) of such corporation's (or other entity's) then outstanding shares of capital stock (or other interests) and, provided further, that nothing contained herein shall be deemed to limit Executive's Permitted Activities pursuant to Section 1(e). This Section 5(b) shall be subject to written waivers, which may be obtained by the Executive from the Company.

(c) At no time during the Term of this Agreement or thereafter will the Executive knowingly make any written or oral untrue statement or any statement that disparages the Company or its Affiliates or will the Company knowingly make any written or oral untrue statement or any statement that disparages the Executive.

(d) If the Executive commits a breach, or threatens to commit a breach, of any of the provisions of this Section 5 or Exhibit A, the Company shall have the right and remedy to have the provisions of this Agreement or Exhibit A, as the case may be, specifically enforced by any court having equity jurisdiction, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide an adequate remedy to the Company.

(e) If any of the covenants contained in this Section 5 or Exhibit A or any part hereof or thereof, is hereafter construed to be invalid, illegal or unenforceable by a court or regulatory agency or tribunal of competent jurisdiction, such court, agency or tribunal shall have the power, and hereby is directed, to substitute for or limit such provision(s) in order as closely as possible to effectuate the original intent of the parties with respect to such invalid, illegal or unenforceable covenant(s) generally and so to enforce such substituted covenant(s). Subject to the foregoing, the invalidity, illegality or unenforceability of any one or more of the covenants contained in this Section 5 shall not affect the validity of any other provision hereof, which shall be given full effect without regard to the invalid portions.

(f) If any of the covenants contained in this Section 5 or Exhibit A, or any part hereof or thereof, is held to be unenforceable because of the duration of such provision, the area covered thereby or the extent thereof, the parties agree that the tribunal making such determination shall have the power, and hereby is directed, to reduce the duration, area and/or extent of such provision and, in its reduced form, such provision shall then be enforceable.

(g) Anything else contained in this Agreement to the contrary notwithstanding, the parties hereto intend to and hereby do confer jurisdiction to enforce the covenants contained in this Section 5 and Exhibit A upon the courts of any state within the geographical scope of such covenants. In the event that the courts of any one or more of such states shall hold any such covenant wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the parties hereto that such determination not bar or in any way affect the Company's right to the relief provided above in the courts of any other state within the geographical scope of such other covenants, as to breaches of such covenants in such other jurisdictions, the above covenants as they relate to each state being, for this purpose, severable into diverse and independent covenants.

6. Termination by the Company.

During the Term of this Agreement, the Company may terminate this Agreement if any one or more of the following shall occur:

(a) The Executive shall die during the Term; *provided, however*, that the Executive's legal representatives shall be entitled to receive (1) the Executive's Base Salary through the date which is ninety (90) days after the Executive's date of death and (2) a pro rata annual performance bonus (prorated by multiplying the full year bonus that otherwise would be due by the percentage derived from dividing the number of days in the then-current year prior to the death of the Executive by three hundred sixty-five (365)) with respect to the fiscal year of the Company during which death occurs. Upon the Executive's death, stock options previously granted to the Executive that are vested and fully exercisable at the time of death shall remain fully exercisable, by the Executive's legal representatives, through their respective original maximum terms (subject to earlier termination in connection with a change in control of the Company and similar events as provided in the applicable plan and/or award agreement) and otherwise in accordance with their respective terms and conditions. All stock options and stock awards (and similar equity rights) that have not vested prior the date of death shall be forfeited.

(b) The Executive shall become physically or mentally disabled so that the Executive is unable substantially to perform his services hereunder for (1) a period of one hundred twenty (120) consecutive days, or (2) shorter periods aggregating one hundred eighty (180) days during any twelve (12) month period; *provided*, *however*, that the Company may terminate the Executive's employment under this Section 6(b) only upon thirty (30) days' prior written notice given by the Company to the Executive. Notwithstanding such disability the Company shall continue to pay the Executive his Base Salary through the date of such termination. In addition, the Executive shall be entitled to a pro rata annual performance bonus (prorated by multiplying the full year bonus that otherwise would be due by the percentage derived from dividing the number of days in the then-current year prior to the termination on account of disability of the Executive by three hundred sixty-five (365)) with respect to the fiscal year of the Company during which such termination occurs. Upon such a disability, stock options previously granted to the Executive that are vested and fully exercisable at the time of disability shall remain fully exercisable, by the Executive or his legal representatives, should he have such, through their respective original maximum terms (subject to earlier termination in connection with a change in control of the Company and similar events as provided in the applicable plan and/or award agreement) and otherwise in accordance with their respective terms and conditions. All stock options and stock awards (and similar equity rights) that have not vested prior to the date of disability shall be forfeited by the Executive.

(c) The Executive acts, or fails to act, in a manner that provides Cause for termination. For purposes of this Agreement, the term "Cause" means (1) the Executive's indictment for, or conviction of, any crime or serious offense involving money or other property that constitutes a felony in the jurisdiction involved; (2) the Executive's willful and ongoing neglect of, or failure to discharge, duties (including fiduciary duties), responsibilities and obligations with respect to the Company hereunder, *provided* such neglect or failure remains uncured for a period of thirty (30) days after written notice describing the same is given to the Executive by the Company; (3) the Executive's violation of any of the non-competition provisions of Section 5 hereof or the Executive's material breach of any provisions of Section 13 hereof or Exhibit A hereto, or (4) any act of fraud or embezzlement by the Executive involving the Company or any of its Affiliates. All determinations of Cause for termination pursuant to this Section 6 shall be made by the Board, and shall require at least a two-thirds (2/3) vote of the entire Board excluding the Executive, should he then be a member of the Board.

7. Termination by the Executive.

The Executive may terminate this Agreement on written notice to the Company in the event of a material breach of the terms of this Agreement by the Company if such breach continues uncured for thirty (30) days after written notice describing the breach is first given to the Company; *provided, however*, that the Executive may terminate this Agreement if such breach is for the payment of money and continues uncured for ten (10) days after written notice describing such breach is first given. The Executive may also terminate this Agreement upon written notice to the Company if any one or more of the following shall occur:

(a) loss of material duties or authority of the Executive as President and Chief Executive Officer, and such loss continues for thirty (30) days after written notice of such loss is given to the Company;

(b) a Prohibited Event occurs, *provided* that the Executive gives written notice of termination within ninety (90) days after such occurrence and such Prohibited Event is not remedied within thirty (30) days after such notice. For this purpose a "Prohibited Event" exists if the Executive is not continuously at least one (1) of President or Chief Executive Officer of the Company during the Term;

(c) the Company shall make a general assignment for benefit of creditors, or any proceeding shall be instituted by the Company seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property, or the Company shall take any corporate action to authorize any of the actions set forth above in this Section 7(c);

(d) an involuntary petition shall be filed or an action or proceeding otherwise commenced against the Company seeking reorganization, arrangement or readjustment of the Company's debts or for any other relief under the Federal Bankruptcy Code, as amended, or under any other bankruptcy or insolvency act or law, state or federal, now or hereafter existing and shall remain undismissed or unstayed for a period of thirty (30) days;

(e) a receiver, assignee, liquidator, trustee or similar officer for the Company or for all or any part of its property shall be appointed involuntarily; or

(f) a material breach by the Company of any other material agreement with the Executive shall occur, if such breach continues uncured for thirty (30) days after written notice describing such breach is first given to the Company; *provided, however,* that the Executive shall be permitted to terminate this Agreement if such breach is for the payment of money and continues uncured for ten (10) days after written notice describing such breach is first given.

8. Termination Following a Change in Control.

(a) In addition to the above, during the period commencing on the six (6) month anniversary of a Change in Control (as defined in Section 12) of the Company and ending on the two (2) year anniversary of such Change in Control, the Executive may terminate this Agreement upon expiration of ninety (90) days' prior written notice if "Good Reason" exists for the Executive's termination. For this purpose, termination for "Good Reason" shall mean a termination by the Executive of his employment hereunder following the occurrence, without his prior written consent, of any of the following events, unless the Company fully cures all grounds for such termination within thirty (30) days after the Executive's notice:

(i) any material adverse change in the Executive's authority, duties, titles or offices (including reporting responsibility), or any significant increase in the Executive's business travel obligations, from those existing immediately prior to the Change in Control;

(ii) any failure by the Company to continue in effect any compensation plan in which the Executive participated immediately prior to such Change in Control and which is material to the Executive's total compensation, including but not limited to the Company's stock option, bonus and other plans or any substitute plans adopted prior to the Change in Control, unless an equitable arrangement (embodied in an ongoing substitute or alternative plan) has been made with respect to such plan, or any failure by the Company to continue the Executive's participation therein (or in such substitute or alternative plan) on a basis no less favorable to the Executive, both in terms of the amount of benefits provided and the level of the Executive's participation relative to other participants, as existed immediately prior to such Change in Control;

(iii) any failure by the Company to continue to provide the Executive with benefits substantially similar to those enjoyed by the Executive under any of the Company's retirement, life insurance, medical, health and accident, or disability plans, programs or arrangements in which the Executive was participating immediately prior to such Change in Control, the taking of any action by the Company that would directly or indirectly materially reduce any of such benefits or deprive the Executive of any perquisite enjoyed by the Executive at the time of such Change in Control, or the failure by the Company to maintain a vacation policy with respect to the Executive that is at least as favorable as the vacation policy (whether formal or informal) in place with respect to the Executive immediately prior to such Change in Control; or

(iv) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the assets of the Company upon a merger, consolidation, sale or similar transaction.

(b) In addition, the Executive may elect to terminate his employment, at his own initiative, for any reason or for no reason, during the six-(6) month period commencing on the six (6) -month anniversary of a Change in Control of the Company and ending on the one (1)-year anniversary of such Change in Control, in which case such termination of employment shall also be deemed to be for "Good Reason."

9. Severance and Benefit Continuation.

(a) *Termination for Cause or Voluntary Termination by the Executive.* If the Company terminates this Agreement for Cause pursuant to Section 6(c) hereof, or if the Executive voluntarily terminates this Agreement other than pursuant to Section 7 or 8 hereof (which termination alone shall not constitute a breach of this Agreement), no severance or benefit continuation provisions shall apply; *provided, however,* that the Executive shall have the same opportunity to continue group health benefits at the Executive's expense in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA") as is available generally to other employees terminating employment with the Company. All stock options and stock awards (and similar equity rights) held by the Executive that have vested prior to such termination of this Agreement may be exercised by the Executive for a period of one hundred eighty (180) days after the date of termination (subject to earlier termination in connection with a change in control of the Company and similar events as provided in the applicable plan and/or award agreement), at which time they shall automatically be forfeited if not exercised. All stock options and stock awards (and similar equity rights) that have not vested prior to such termination shall be forfeited by the Executive. For purposes of this Agreement, an election by the Company not to renew this Agreement beyond the end of the then-current Term shall be considered a termination of this Agreement Other Than for Cause.

(b) *Termination for Death or Disability.* In the event of termination of this Agreement pursuant to Section 6(a) or 6(b) by reason of the death or disability of the Executive, in addition to the Base Salary payments and pro rata annual performance bonus provided for in paragraph (a) or (b) of Section 6, as applicable, the Company shall continue to provide all benefits subject to COBRA, at its sole cost and expense, with respect to the Executive and his dependents for the maximum period provided by COBRA.

(c) *Termination by the Company Other Than for Cause or Termination by the Executive Based on a Material Breach by the Company.* If (1) the Company terminates this Agreement and the Executive's employment other than pursuant to Section 6 hereof or (2) the Executive terminates this Agreement and his employment pursuant to Section 7, and in each case the termination of employment does not occur on or within two (2) years following the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive in accordance with its normal payroll practice an amount equal to the Executive's Base Salary at the annualized rate in effect on the date of such termination, such payment to be made in equal monthly installments (rounded down to the nearest whole cent) over a period of twelve (12) consecutive months following the Executive's Separation from Service (as defined in Section 12) (the "Severance Period"), with the first installment payable, subject to Section 14(b), in the month following the month in which the Executive's Separation from Service occurs;

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Section 3(f)), other than participation in any Company tax-qualified retirement plan and any bonus, equity or other incentive plans and programs, applicable to the Executive shall be continued for the Severance Period (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, *provided* that, with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits, and that, in all events, such payment shall be made within ninety (90) days following the Executive's Separation from Service). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its expense with respect to the Executive and his dependents for the maximum period provided by COBRA; and

(iii) all stock options and awards of restricted stock (and similar equity rights), to the extent outstanding and vested on the date of such termination of this Agreement, shall remain fully exercisable through their respective original maximum terms (subject to earlier termination in connection with a change in control of the Company and similar events as provided in the applicable plan and/or award agreement) and otherwise in accordance with their respective terms and conditions.

(d) *Involuntary Termination Other Than for Cause, Termination by the Executive Based on a Material Breach by the Company or for Good Reason, or Nonrenewal by the Company Upon or After a Change in Control*. If (1) the Company terminates this Agreement and the Executive's employment other than pursuant to Section 6 hereof or (2) the Executive terminates this Agreement and his employment pursuant to Section 7 or 8, and in each case the termination of employment occurs on or within two (2) years of the consummation of a Change in Control of the Company, then:

(i) the Company shall pay the Executive a cash lump sum equal to one (1) times the Executive's Base Salary at the annualized rate in effect on the date of such termination, such payment to be made, subject to Section 14(b), in the month following the month in which the Executive's Separation from Service occurs;

(ii) all Company employee benefit plans and programs (including, but not limited to, the plans and programs set forth in Section 3(f), other than participation in any Company tax-qualified retirement plan, applicable to the Executive shall be continued for one (1) year from the date of such termination of employment (or, if such benefits are not available, or cannot be provided due to applicable law, the Company shall pay the Executive a lump sum cash amount equal to the after-tax economic equivalent thereof, *provided* that, with respect to any benefit to be provided on an insured basis, such lump sum cash value shall be the present value of the premiums expected to be paid for such coverage, and with respect to other benefits, such value shall be the present value of the expected cost to the Company of providing such benefits and that, in all events, such payment shall be made within ninety (90) days following the Executive's Separation from Service). In the case of all benefits subject to COBRA, the Company shall continue to provide such benefits at its sole cost and expense with respect to the Executive and his dependents for the maximum period provided by COBRA; and

(iii) all stock options and awards of restricted stock (and similar equity rights), to the extent then vested and outstanding (after giving effect to any accelerated vesting pursuant to Section 3 (c) hereof), shall remain fully exercisable through their respective original maximum terms (provided that, after giving effect to such accelerated vesting and providing the Executive a reasonable opportunity to exercise such vested options and similar awards, such options and awards shall be subject to earlier termination in connection with a change in control of the Company and similar events as provided in the applicable plan and/or award agreement) and otherwise in accordance with their respective terms and conditions as if no Change in Control had occurred.

(e) The payments provided in Section 9(c) and 9(d) are intended as enhanced severance for a termination by the Company without Cause, or a termination by the Executive in the circumstances provided. As a condition of receiving such payments, the Executive or his legal representatives, should he have such, shall first execute and deliver to the Company within twenty-one (21) days following such termination of employment a general release of all claims against the Company, its Affiliates, agents and employees (other than any claims or rights pursuant to the Agreement or pursuant to equity or employee benefit plans), in a form and substance satisfactory to the Company, and shall not revoke such release within any revocation period provided under applicable law. In connection with such release by the Executive, the Company shall execute and deliver a comparable release of claims against the Executive within twenty-one (21) days following such termination of employment. Notwithstanding the foregoing, the Executive may elect to forego the severance payments provided herein, in which event neither party shall be required to execute a release of the other. Notwithstanding the foregoing provisions of this section 9(e), no release to be granted by the Executive shall be required to cause the Executive to release the Company from, waive, or forego in any way any of the Executive's rights to indemnification under the applicable provisions of the Certificate of Incorporation or By-laws of the Company or any then-existing agreement between the Company and the Executive with respect thereto; and no release to be granted by the Company hereunder shall apply to any obligation of the Executive pursuant to this Agreement or any act of fraud or material dishonesty by the Executive. In addition, any release provided by one party to the other party pursuant to this Section 9(e) shall be null and void if the other party does not timely provide the release required hereunder (or, in the case of the release provided by the Company, if the Executive revokes his release within any revocation period provided by applicable law).

10. Cooperation.

Following the termination of his employment, the Executive agrees to cooperate with, and assist, the Company to ensure a smooth transition in management and, if requested by the Company, to make himself available to consult during regular business hours at mutually agreed upon times for up to a three- (3) month period thereafter. At any time following the termination of his employment, the Executive will provide such information as the Company may request with respect to any Company- related transaction or other matter in which the Executive was involved in any way while employed by the Company. The Executive further agrees, during the Term of this Agreement and thereafter, to assist and cooperate with the Company in connection with the defense or prosecution of any claim that may be made against, or by, the Company or its Affiliates, in connection with any dispute or claim of any kind involving the Company or its Affiliates, including providing testimony in any proceeding before any arbitral, administrative, judicial, legislative or other body or agency. The Executive shall be entitled to reimbursement for all properly documented expenses reasonably incurred in connection with rendering transition services under this Section, including, but not limited to, reimbursement for all reasonable travel, lodging, meal expenses and legal fees, and the Executive shall be entitled to a per diem amount for his services equal to his then most recent annualized Base Salary under this Agreement, divided by two hundred forty (240) (business days).

11. No Mitigation.

The Executive shall not be required to mitigate the amount of any payment provided for hereunder by seeking other employment or otherwise, nor shall the amount of any payment provided for hereunder be reduced by any compensation earned by the Executive as the result of employment by another employer after the date of termination of employment by the Company.

12. Definitions.

As used herein, the following terms have the following meaning:

(a) "Affiliate" means and includes any person, corporation or other entity controlling, controlled by or under common control with the person, corporation or other entity in question, determined in accordance with Rule 12b-2 under the Securities Exchange Act of 1934, as amended).

(b) "Change in Control" means the occurrence of any of the following events:

(i) Any Person, other than the Company, its Affiliates or any Company employee benefit plan (including any trustee of such plan acting as trustee), is or becomes the Beneficial Owner, directly or indirectly, of securities of the Company representing more than fifty percent (50%) of the combined voting power of the then outstanding securities entitled to vote generally in the election of directors ("Voting Securities") of the Company; or

(ii) Individuals who constitute the Board of the Company (the "Incumbent Directors"), as of the beginning of any twenty-four (24) month period commencing with the Effective Date of this Agreement, cease for any reason to constitute at least a majority of the directors. Notwithstanding the foregoing, any individual becoming a director subsequent to the beginning of such period, whose election or nomination for election by the Company's stockholders, was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Directors, shall be, considered an Incumbent Director; or

(iii) Consummation by the Company of a recapitalization, reorganization, merger, consolidation or other similar transaction (a "Business Combination"), with respect to which all or substantially all of the individuals and entities who were the beneficial owners of the Voting Securities immediately prior such Business Combination (the "Incumbent Shareholders") do not, following consummation of all transactions intended to constitute part of such Business Combination, beneficially own, directly or indirectly, fifty percent (50%) or more of the Voting Securities of the corporation, business trust or other entity resulting from or being the surviving entity in such Business Combination (the "Surviving Entity"), in substantially the same proportion as their ownership of such Voting Securities immediately prior to such Business Combination; or

(iv) Consummation of a complete liquidation or dissolution of the Company, or the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation, business trust or other entity with respect to which, following consummation of all transactions intended to constitute part of such sale or disposition, more than fifty percent (50%) of the combined Voting Securities is then owned beneficially, directly or indirectly, by the Incumbent Shareholders in substantially the same proportion as their ownership of the Voting Securities immediately prior to such sale or disposition.

For purposes of this definition, the following terms shall have the meanings set forth below:

(A) "Beneficial Owner" shall have the meaning set forth in Rule 13d-3 under the Exchange Act;

(B) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended; and

(C) "Person" shall have the meaning as used in Sections 13(d) and 14(d) of the Exchange Act.

Notwithstanding the foregoing, a transaction shall not constitute a Change in Control unless it is a "change in the ownership or effective control" of the Company, or a change "in the ownership of a substantial portion of the assets" of the Company within the meaning of Section 409A of the U.S. Internal Revenue Code of 1986, as amended ("Code Section 409A").

(c) "Company's Field of Interest" means the primary businesses of the Company as described in the Company's then two most recent Annual Reports on Form 10-K filed by the Company with the Securities and Exchange Commission (subject to any further description of such businesses that may be included in any Quarterly Reports on Form 10-Q or Current Reports on Form 8-K thereafter filed by the Company with the Securities and Exchange Commission) or as determined from time to time by the Board during the Term hereof.

(d) As used herein, a "Separation from Service" occurs when the Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

13. Representations by Executive.

The Executive represents and warrants that he has full right, power and authority to execute this Agreement and perform his obligations hereunder and that this Agreement has been duly executed by the Executive and such execution and the performance of this Agreement by the Executive do not and will not result in any conflict, breach or violation of or default under any other agreement or any judgment, order or decree to which the Executive is a party or by which he is bound. The Executive acknowledges and agrees that any material breach of the representations set forth in this Section 13 will constitute Cause under Section 6.

14. Section 409A Compliance

(a) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Code Section 409A (including the Treasury regulations and other published guidance relating thereto) so as not to subject the Executive to payment of any additional tax, penalty or interest imposed under Code Section 409A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to the Executive.

(b) If the Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of the Executive's Separation from Service, the Executive shall not be entitled to any payment or benefit pursuant to Section 9(c) or 9(d) until the earlier of (i) the date which is six (6) months after his Separation from Service for any reason other than death, or (ii) the date of the Executive's death. The provisions of this Section 14(b) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A. Any amounts otherwise payable to the Executive upon or in the six (6) month period following the Executive's Separation from Service that are not so paid by reason of this Section 14(b) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after the Executive's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of the Executive's death).

(c) To the extent that any benefits pursuant to Section 9(c)(ii) or 9(d)(ii) or reimbursements pursuant to Section 3(d) or 3(e) are taxable to the Executive, any reimbursement payment due to the Executive pursuant to any such provision shall be paid to the Executive on or before the last day of the Executive's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that the Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that the Executive receives in any other taxable year.

15. Arbitration.

The parties shall attempt in good faith to resolve all claims, disputes and other disagreements arising hereunder by negotiation. In the event that a dispute between the parties cannot be resolved within thirty (30) days of written notice from one party to the other party, such dispute shall, at the request of either party, after providing written notice to the other party, be submitted to arbitration in Columbia, Maryland in accordance with the arbitration rules of the American Arbitration Association then in effect. The notice of arbitration shall specifically describe the claims, disputes or other matters in issue to be submitted to arbitration. The parties shall jointly select a single arbitrator who shall have the authority to hold hearings and to render a decision in accordance with the arbitration rules of the American Arbitration Association. If the parties are unable to agree within ten (10) days, the arbitrator shall be selected by the Chief Judge of the Circuit Court for Howard County. The discovery rights and procedures provided by the Federal Rules of Civil Procedure shall be available and enforceable in the arbitration proceeding. The written decision of the arbitrator so appointed shall be conclusive and binding on the parties and enforceable by a court of competent jurisdiction. The expenses of the arbitration shall be borne equally by the parties to the arbitration, and each party shall pay for and bear the cost of its or his own experts, evidence and legal counsel, unless the arbitrator rules otherwise in the arbitration. Each party agrees to use its or his best efforts to cause a final decision to be rendered with respect to the matter submitted to arbitration within sixty (60) days after its submission. Notwithstanding the foregoing, the Company shall be free to pursue its rights and remedies under Section 5 hereof and pursuant to Exhibit A hereto in any court of competent jurisdiction, without regard to the arbitral proceedings contemplated by this Section 15.

16. Notices.

All notices, requests, consents and other communications required or permitted to be given hereunder or contemplated or in connection herewith shall be in writing and shall be deemed to have been duly given if sent by private overnight mail service (delivery confirmed by such service), registered or certified mail (return receipt requested and received), telecopy (confirmed receipt by return fax from the receiving party) or if delivered personally, as follows (or to such other address as either party shall designate by notice in writing to the other in accordance herewith):

If to the Company:

Celsion Corporation
997 Lenox Drive, Suite 100
Lawrenceville, NJ 08648
Attention: Chairman of the Compensation Committee
Telephone: 609-896-9100
Fax: 609-896-2200

If to the Executive:

Michael Tardugno
Address: _______
Telephone: __________
Fax: —

17. Indemnification and Limitation of Liability.

The Corporation acknowledges and agrees that the protections afforded by Article Ninth of the Amended and Restated Certificate of Incorporation, as amended, of the Corporation, and Article VI of the Bylaws, as amended, of the Corporation are available to the Executive throughout the Term and thereafter, in accordance with their respective terms.

18. General.

(a) This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Maryland applicable to agreements made and to be performed entirely in Maryland by Maryland residents.

(b) This Agreement, together with the agreement set forth in Annex A hereto, sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth. Notwithstanding the foregoing, in the event that the provisions hereof shall conflict with the terms of any stock option grant agreement, stock award agreement or similar document granting stock options, warrants or similar rights, then the terms hereof shall control.

(c) This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms or covenants hereof may be waived, only by a written instrument executed by the parties hereto, or in the case of a waiver, by the party waiving compliance. The failure of a party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by a party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, or any one or more or continuing waivers of any such breach, shall constitute a waiver of the breach of any other term or covenant contained in this Agreement.

(d) This Agreement shall be binding upon and inure to the benefit of the legal representatives, heirs, distributees, successors and permitted assigns of the parties hereto. The Company may not assign its rights and obligation under this Agreement without the prior written consent of the Executive, except to a successor to substantially all the Company's business that expressly assumes the Company's obligations hereunder in writing. For purposes of this Agreement, "successors" shall mean any successor by way of share exchange, merger, consolidation, reorganization or similar transaction, or the sale of all or substantially all of the assets of the Company. The Executive may not assign, transfer, alienate or encumber any rights or obligations under this Agreement, except by will or operation of law, *provided* that the Executive may designate beneficiaries to receive any payments permitted under the terms of the Company's benefit plans.

[Signature Page follows.]

IN WITNESS WHEREOF , each of the parties has executed this Agreement under its or his seal effective as of the date first above written.

[SEAL]	Celsion Corporation	
	By:	
	Print Name:	Robert W. Hooper
	Title:	Director
[SEAL]		
	Michael H. Tardugno	