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 June 30, 2012

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)

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

(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 o

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 ☑ 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 August 13, 2012, the Registrant had 33,227,679 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, manufacturing and commercialization), 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® and ThermoDox® , contained in this document are trademarks, registered trademarks or service marks of Celsion Corporation in the United States (U.S.) and certain other countries.

PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

CELSION CORPORATION
BALANCE SHEETS

	June 30, 2012 (unaudited)	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,708,110	$ 20,145,854
Short-term investments	12,287,271	10,400,905
Other current assets	939,163	961,726
Total current assets	24,934,544	31,508,485
Property and equipment (at cost, less accumulated depreciation of $747,631 and $643,472, respectively)	1,049,775	782,720
Other assets:		
Deposits, deferred fees and other assets	520,047	322,629
Patent licensing fees, net	31,875	35,625
Total other assets	551,922	358,254
Total assets	$ 26,536,241	$ 32,649,459
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 4,305,660	$ 4,010,203
Accrued liabilities	1,890,412	2,031,934
Notes payable - current portion	493,949	110,287
Total current liabilities	6,690,021	6,152,424
Common stock warrant liability	536,121	166,398
Notes payable – non-current portion	4,605,384	71,602
Other liabilities	128,381	65,467
Total liabilities	11,959,907	6,455,891
Stockholders' equity:		
Common stock, $0.01 par value; 75,000,000 shares authorized and 33,899,057 shares issued at June 30, 2012 and December 31, 2011 and 33,227,679 and 33,186,325 shares outstanding at June 30, 2012 and December 31, 2011, respectively	338,991	338,991
Additional paid-in capital	153,867,900	153,237,225
Accumulated other comprehensive loss	(315,600)	(276,700)
Accumulated deficit	(136,598,303)	(124,221,823)
Subtotal	17,292,988	29,077,693
Treasury stock, at cost (671,378 and 712,732 shares at June 30, 2012 and December 31, 2011, respectively)	(2,716,654)	(2,884,125)
Total stockholders' equity	14,576,334	26,193,568
Total liabilities and stockholders' equity	$ 26,536,241	$ 32,649,459

See accompanying notes to the financial statements.

CELSION CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Licensing revenue	$ –	$ –	$ –	$ 2,000,000
Operating expenses:				
Research and development	4,112,243	4,964,022	8,805,250	9,312,658
General and administrative	1,595,281	1,281,984	3,165,747	2,497,267
Total operating expenses	5,707,524	6,246,006	11,970,997	11,809,925
Loss from operations	(5,707,524)	(6,246,006)	(11,970,997)	(9,809,925)
Other (expense) income:				
Loss from valuation of common stock warrant liability	(447,323)	(586,171)	(369,723)	(417,860)
Investment income	62,076	97	67,409	564
Interest and dividend expense	(10,574)	(111,945)	(16,275)	(481,087)
Other expense	(1,040)	–	(1,040)	–
Total other expense, net	(396,861)	(698,019)	(319,629)	(898,383)
Net Loss	$ (6,104,385)	$ (6,944,025)	$ (12,290,626)	$ (10,708,308)
Net loss per common share – basic and diluted	$ (0.18)	$ (0.42)	$ (0.37)	$ (0.72)
Weighted average shares outstanding – basic and diluted	33,236,066	16,366,409	33,211,059	14,914,438

See accompanying notes to the financial statements.

CELSION CORPORATION
STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	**2011**	**2012**	**2011**
Net Loss	$ (6,104,385)	$ (6,944,025)	$ (12,290,626)	$ (10,708,308)
Other comprehensive (loss) gain				
Unrealized (loss) gain on investments available for sale	(37,684)	2,935	(38,900)	39,918
Comprehensive loss	$ (6,142,069)	$ (6,941,090)	$ (12,329,526)	$ (10,668,390)

See accompanying notes to the financial statements.

CELSION CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
	2012	**2011**
Cash flows from operating activities:		
Net loss	$ (12,290,626)	$ (10,708,308)
Non-cash items included in net loss:		
Depreciation and amortization	107,910	86,490
Change in fair value of common stock warrant liability	369,723	417,860
Stock-based compensation	557,021	559,976
Treasury shares issued for services and 401(k) matching contribution	81,617	28,769
Amortization of deferred financing fees	–	81,955
Change in deferred rent liability	62,914	–
Net changes in:		
Prepaid expenses and other assets	45,662	(207,339)
Accounts payable	295,457	(1,221,033)
Other accrued liabilities	(141,522)	(436,180)
Net cash used in operating activities:	(10,911,844)	(11,397,810)
Cash flows from investing activities:		
Purchases of investment securities	(11,366,148)	–
Proceeds from sale and maturity of investment securities	9,440,882	301,632
Purchases of property and equipment	(371,215)	(183,490)
Net cash (used in) provided by investing activities	(2,296,481)	118,142
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	–	11,256,456
Proceeds from notes payable	4,853,137	–
Principal payments on notes payable	(82,556)	(59,716)
Net cash provided by financing activities	4,770,581	15,520,820
(Decrease) increase in cash and cash equivalents	(8,437,744)	4,241,152
Cash and cash equivalents at beginning of period	20,145,854	1,138,916
Cash and cash equivalents at end of period	$ 11,708,110	$ 5,380,068
Supplemental disclosures of cash flow information:		
Interest and preferred stock dividends paid	$ 16,275	$ 481,087

See accompanying notes to the financial statements.

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, recurrent chest wall breast cancer and colorectal liver metastases.

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 six month periods ended June 30, 2012 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/A for the fiscal year ended December 31, 2011 filed with the Securities and Exchange Commission on March 15, 2012.

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. No events and conditions would give rise to any information that required accounting recognition or disclosure in the financial statements other then those arising in the ordinary course of business.

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 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. We have incorporated this guidance into these financial statements and they did not have a material impact on the Company's financial statements.

There were no new accounting pronouncements issued or effective during the first six months of 2012 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 six months ended June 30, 2012 and 2011, 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 June 30, 2012 and 2011 were 15,203,880 and 9,245,618 common stock equivalent shares, respectively.

Note 5. Short-Term Investments Available For Sale

Short-term investments available for sale of $12,287,271 and $10,400,905 as of June 30, 2012 and December 31, 2011, 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 Loss.

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 available for sale - at fair value	**June 30, 2012**	**December 31, 2011**
Bonds - corporate issuances	$ 12,287,271	$ 10,400,905
Total short-term investments, available for sale	$ 12,287,271	$ 10,400,905

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

	June 30, 2012		**December 31, 2011**	
	Cost	**Fair Value**	**Cost**	**Fair Value**
Short-term investments				
Bonds- corporate issuances	$ 12,494,498	$ 12,287,271	$ 10,565,315	$ 10,400,905
Equity securities	108,373	–	108,373	–
Total	$ 12,602,871	$ 12,287,271	$ 10,673,688	$ 10,400,905
Bond maturities				
Within 3 months	$ 3,121,030	$ 3,013,150	$ 5,128,560	$ 5,036,920
Between 3-12 months	9,373,468	9,274,121	5,436,755	5,363,985
Total	$ 12,494,498	$ 12,287,271	$ 10,565,315	$ 10,400,905

The following table shows the Company's investment securities gross unrealized losses and fair value by investment category and length of time that individual securities have been in a continuous unrealized loss position at June 30, 2012 and December 31, 2011. The Company has reviewed individual securities to determine whether a decline in fair value below the amortizable cost basis is other then temporary.

	June 30, 2012					
	Less than 12 months		12 months or Longer		Total	
Description of Securities	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available for Sale						
Bonds – corporate issuances	$ 12,287,271	$ (207,227)	$ –	$ –	$ 12,287,271	$ (207,227)
Equity securities	–	–	–	(108,373)	–	(108,373)
	$ 12,287,271	$ (207,227)	$ –	$ (108,373)	$ 12,287,271	$ (315,600)

	December 31, 2011					
	Less than 12 months		12 months or Longer		Total	
	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses	Fair Value	Gross Unrealized Holding Losses
Available for Sale						
Bonds – corporate issuances	$ 10,400,905	$ (168,327)	$ –	$ –	$ 10,400,905	$ (168,327)
Equity securities	–	(108,373)	–	–	–	(108,373)
	$ 10,400,905	$ (276,700)	$ –	$ –	$ 10,400,905	$ (276,700)

Gross realized gains and losses on sales of available for sale securities and investment income, which includes interest and dividends, is summarized as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2012	2011	2012	2011
Interest and dividend income	$ 130,692	$ 97	$ 264,585	$ 564
Realized losses	(68,616)	–	(197,176)	–
	$ 62,076	$ 97	$ 67,409	$ 564

Note 6. Fair Value of Measurements

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 11 to the financial statements.

Cash and cash equivalents, other current assets, accounts payable and other accrued liabilities are reflected in the balance sheet at their estimated fair values primarily due to their short-term nature.

The following table presents information about assets and liabilities recorded at fair value on a recurring basis as of June 30, 2012 and December 31, 2011 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:				
As of June 30, 2012				
Short-term investments available for sale				
Bonds – corporate issuances	$ 12,287,271	$ 12,287,271	$ –	$ –
As of December 31, 2011				
Short-term investments available for sale				
Bonds – corporate issuances	$ 10,400,905	$ 10,400,905	$ –	$ –
Liabilities:				
As of June 30, 2012				
Notes Payable	$ 5,099,333	$ 5,099,333	$ –	$ –
Common stock warrant liability	536,121	–	–	536,121
As of December 31, 2011				
Notes Payable	$ 181,889	$ 181,889	$ –	$ –
Common stock warrant liability	166,398	–	–	166,398

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 six month period ended June 30, 2012.

Note 7. Other Current Assets

Other current assets at June 30, 2012 and December 31, 2011 include the following:

	June 30, 2012	December 31, 2011
Advances to clinical trial sites	$ 758,296	$ 758,296
Raw materials for ThermoDox® registration batches	108,932	163,561
Deposits for future investigator grants and expenses	46,436	–
Franchise taxes receivable	4,076	39,104
Other current assets	21,423	765
Total	$ 939,163	$ 961,726

Note 8. Other Accrued Liabilities

Accrued liabilities at June 30, 2012 and December 31, 2011 include the following:

	June 30, 2012	December 31, 2011
Amounts due to Contract Research Organizations and other contractual agreements	$ 1,477,514	$ 1,234,875
Accrued payroll and related benefits	314,209	632,425
Accrued professional fees	71,097	137,400
Other	27,592	27,234
Total	$ 1,890,412	$ 2,031,934

Note 9. Note Payable

On June 27, 2012, the Company entered into a Loan and Security Agreement (the "Credit Agreement") with Oxford Finance LLC ("Oxford") and Horizon Technology Finance Corporation ("Horizon"). The Credit Agreement provides for a secured term loan of up to $10 million, with 50% of any loans to be funded by Oxford and 50% to be funded by Horizon. The aggregate loan amount may be advanced in two tranches of $5 million each. The first tranche (the "Term A Loan") was made available to the Company on June 27, 2012 and the second tranche (the "Term B Loan") may be made available, if at all, during the period beginning on the date that the Company achieves positive data in its Phase III clinical trial of RFA and ThermoDox® (the HEAT study) and ending on March 31, 2013. The Term A Loan is scheduled to mature on October 15, 2015 (or, if the Term B Loan is made available, January 1, 2016) and the Term B Loan is scheduled to mature on January 1, 2016. The proceeds of the Credit Agreement will be used to fund the Company's working capital and general corporate purposes. The obligations under the Credit Agreement are secured by substantially all assets of the Company other than its intellectual property and certain other agreed-upon exclusions.

The Term A Loan bears interest at a fixed rate of 11.75%. If it is made available, the Term B Loan will bear interest at a fixed rate equal to the greater of (i) 11.75% or (ii) the sum of (a) the three month U.S. LIBOR rate (but not less than 0.47%) three days prior to the funding of the loan plus (b) 11.28%. Generally, the Company is required to pay principal and interest in equal monthly installments. However for an initial period extending for the Term A Loan through May 1, 2013 (or, if the Term B Loan is made available, January 1, 2016) and for the Term B Loan through August 1, 2013, the Company is only required to make interest payments. The Company is also obligated to pay other customary facility fees for a credit facility of this size and type.

The Credit Agreement contains customary covenants, including covenants that limit or restrict the Company's ability to incur liens, incur indebtedness, make certain restricted payments, merge or consolidate and make dispositions of assets. Upon the occurrence of an event of default under the Credit Agreement, the lenders may cease making loans, terminate the Credit Agreement, declare all amounts outstanding to be immediately due and payable and foreclose on or liquidate The Company's assets that comprise the lenders' collateral. The Credit Agreement specifies a number of events of default (some of which are subject to applicable grace or cure periods), including, among other things, non-payment defaults, covenant defaults, a material adverse change in the Company, cross-defaults to other materials indebtedness, bankruptcy and insolvency defaults and material judgment defaults. The Company is currently in compliance with these covenants.

As a fee in connection with the Credit Agreement, the Company issued warrants to Horizon and Oxford (the "Warrants") to purchase the number of shares of the Company's common stock equal to 3% of each loan amount divided by the exercise price, which was calculated as the average NASDAQ closing price of The Company common stock for the three days prior to the funding of the loan amount ($2.92 per share for the Term A Loan). This resulted in 51,370 warrant shares issued in connection with the Term A Loan and additional warrant shares issuable in connection with the Term B Loan, if that is made available. The Warrants issued in connection with the Term A Loan are immediately exercisable for cash or by net exercise and will expire seven years after their issuance, which is June 27, 2019.

The Company valued the Warrants using the Black-Scholes option pricing model and recorded $73,654 as deferred financing fees. In calculating the value of the warrants, the Company assumed a volatility rate of 74.3%, risk free interest rate of 1.10%, an expected life of 3.5 years, a stock price of $2.80 (closing price on date of the Warrant) and no expected forfeitures nor dividends. In connection with the Credit Agreement, the Company incurred cash expenses of $146,683 which were recorded as deferred financing fees. These deferred financing fees will be amortized as interest expense over the life of the loan.

Following is a schedule of future principle payments due on the Credit Agreement:

For the year ending June 30:	Credit Agreement
2013	$ 436,828
2014	1,880,796
2015	2,114,088
2016	568,288
	$ 5,000,000

In October 2009, the Company financed $288,200 of lab equipment through a capital lease. This lease obligation had thirty monthly payments of $11,654 through April 2012. During the first half of 2012, the Company has made principal and interest payments totaling $58,270. The lease obligation was paid in full during the second quarter of 2012.

In November 2011, the Company financed $144,448 of lab equipment through a capital lease. This lease obligation has thirty monthly payments of $5,651 through February 2014. During the first half of 2012, the Company made principal and interest payments totaling $33,909. The outstanding lease obligation is $99,333 as of June 30, 2012. See Note 12 to the financial statements.

Note 10. 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 Meetings of Stockholders of Celsion held on June 25, 2010 and June 7, 2012, the stockholders approved amendments 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 in 2010 and by 2,250,000 to 4,250,000 shares in 2012.

Prior to the adoption of the 2007 Plan, the Company 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 will 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:

	Six Months ended June 30, 2012	Six Months ended June 30, 2011
Risk-free interest rate	1.60% - 2.97%	2.72% - 2.84%
Expected volatility	80.8 - 82.3%	80.7% - 81.1%
Expected life (in years)	6.3 – 5.0	6.25
Expected forfeiture rate	0.0% - 7.5%	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 2012 and 2011 grants was generated using the simplified method as allowed under Securities and Exchange Commission Staff Accounting Bulletin No. 107.

A summary of the Company's stock option and restricted stock awards for six month period ended June 30, 2012 is as follows:

	Stock Options		Restricted Stock Awards		Weighted Average Contractual Terms of Equity Awards (in years)
Equity Awards	Options Outstanding	Weighted Average Exercise Price	Non-vested Restricted Stock Outstanding	Weighted Average Grant Date Fair Value	
Equity awards outstanding at December 31, 2011	3,113,144	$ 3.75	54,867	$ 3.16	
Equity awards granted	608,251	$ 2.11	1,500	$ 2.09	
Equity awards exercised	–	–	(3,200)	$ 3.91	
Equity awards forfeited, cancelled or expired	(220,669)	$ 7.57	–	–	
Equity awards outstanding at June 30, 2012	3,500,726	$ 3.23	53,167	$ 3.08	7.14
Aggregate intrinsic value of outstanding awards at June 30, 2012	$ 1,297,278		$ 163,223		
Equity awards exercisable at June 30, 2012	1,906,665	$ 3.59			5.81
Aggregate intrinsic value of awards exercisable at June 30, 2012	$ 490,186				

Total compensation cost related to employee stock options and restricted stock awards amounted to $269,756 and $233,099 for the three months ended June 30, 2012 and 2011, respectively. Total compensation cost related to employee stock options and restricted stock awards amounted to $557,021 and $559,976 for the six months ended June 30, 2012 and 2011, respectively. No compensation cost related to share-based payments arrangements was capitalized as part of the cost of any asset as of June 30, 2012 or 2011.

As of June 30, 2012, there was $2.2 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 2.1 years. The weighted average grant-date fair value was $1.48 and $3.14 per share for the options granted during the six months ended June 30, 2012 and 2011, respectively. The weighted average grant-date fair value was $2.09 and $2.47 for the restricted stock awards granted during the six months ended June 30, 2012 and 2011, respectively.

Collectively, for all the stock option plans as of June 30, 2012, there were a total of 6,013,334 shares reserved, which were comprised of 3,553,893 equity awards granted and 2,459,441 equity awards available for future issuance.

Note 11. Warrants

Common Stock Warrant Liability

In September 2009, 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. In connection with this registered direct offering, the Company issued 2,018,153 shares of its common stock and warrants to purchase 1,009,076 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 valuation 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. At the end of each subsequent quarter, the Company will revalue 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 June 30, 2012 and December 31, 2011 was $536,121 and $166,398, respectively, calculated using the Black-Scholes option-pricing model with the following assumptions:

	June 30, 2012	December 31, 2011
Risk-free interest rate	0.73 %	0.83 %
Expected volatility	72.58 %	75.17 %
Expected life (in years)	1.25	1.6
Expected forfeiture rate	0.0 %	0.0 %
Expected dividend yield	0.00 %	0.00 %

As a result of this change in the warrant liability, the Company recorded a non-cash loss of $447,323 in the six months ended June 30, 2012. The following is a summary of the changes in the common stock warrant liability for the six months ended June 30, 2012:

Beginning balance, January 1, 2012	$ 166,398
Issuances	-
Loss from the adjustment for the change in fair value included in net loss	369,723
Ending balance, June 30, 2012	$ 536,121

Common Stock Warrants

As a result of equity financings in 2009 through 2011 and warrants issued in connection with the Credit Agreement as discussed in Note 9, the Company had 11,649,987 warrants outstanding and exercisable as of June 30, 2012. The warrants had a weighted average exercise price of $3.15 and a weighted average remaining contractual term of 4.7 years.

Note 12. Contingent Liabilities and Commitments

In July 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. In October 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.

Following is a summary of the future minimum payments required under leases that have initial or remaining lease terms of one year or more as of June 30, 2012:

	Capital Leases	Operating Leases
For the year ending June 30:		
2013	$ 67,817	$ 278,091
2014	45,212	283,526
2015	–	288,961
2016	–	294,396
Thereafter	–	249,104
Total minimum lease payments	113,029	$ 1,394,078
Less amounts of lease payments that represent interest	13,696	
Present value of future minimum capital lease payments	99,333	
Less current obligations under capital leases	57,120	
	$ 42,213	

Note 13. Technology Development and Licensing Agreements

On May 7, 2012 the Company announced the signing of a long term commercial supply agreement with Zhejiang Hisun Pharmaceutical Co. Ltd. (Hisun) for the production of ThermoDox® in the China territory. Per the terms of the agreement, Hisun will be responsible for providing all of the technical and regulatory support services, including the costs of all technical transfer, registrational and bioequivalence studies, technical transfer costs, Celsion consultative support costs and the purchase of any necessary equipment and additional facility costs necessary to support capacity requirements for the manufacture of ThermoDox®. Celsion will repay Hisun for the aggregate amount of these development costs and fees commencing on the successful completion of three registrational batches of ThermoDox®. Hisun is also obligated to certain performance requirements under the agreement. The agreement will initially be limited to a percentage of the production requirements of ThermoDox® in the China territory with Hisun retaining an option for additional global supply after local regulatory approval in the China territory. In addition, Hisun will collaborate with Celsion around the regulatory approval activities for ThermoDox® with the China State Food and Drug Administration (SFDA). As of June 30, 2012, the Company has incurred approximately $20,000 in costs to be reimbursed to Hisun.

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 may 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 convertible preferred stock equity financing in January 2011, we amended the Yakult Agreement to provide for up to $4.0 million in accelerated partial payments to us on a 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. The second $2.0 million was conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT study, which has not been resumed. In consideration of the $2.0 million accelerated milestone payment from Yakult, we have agreed to reduce future drug approval milestone payments by approximately twenty percent (20%). All other milestone payments are unaffected.

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 our 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/A for the fiscal year ended December 31, 2011, 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 and in our most recent Annual Report on Form 10-K/A, 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 constantly evolving. 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 and 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), Phase II clinical trial for colorectal liver metastasis (CRLM) and a Phase I/II clinical trial 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 heat at mild hyperthermia temperatures (greater than 40 degrees Celsius) releases the encapsulated doxorubicin from the liposome enabling high concentrations of doxorubicin to be deposited preferentially in and around the targeted tumor.

The U.S. Food and Drug Administration (FDA) has granted our Phase III HEAT study for ThermoDox®, in combination with radiofrequency ablation, a Special Protocol Assessment and has designated it 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.

In December 2011, the European Medicines Agency (EMA) provided written, scientific advice confirming that the HEAT study is acceptable as a basis for submission of a marketing authorization application (MAA). Based on feedback and guidance received from the EMA, we expect that future results demonstrating a convincing magnitude of improvement in progression-free survival, the study's primary endpoint, along with a favorable benefit-risk ratio in the HEAT study, would be sufficient as the primary basis for registration of ThermoDox® in Europe. The EMA also supported our manufacturing strategy and technology transfer protocols, which will allow us to establish multiple manufacturing sites to support commercialization of ThermoDox® outside the United States. In March of 2011, we announced that the European Commission granted orphan drug designation for ThermoDox® in primary liver cancer, which provides assistance and incentives, including ten years of marketing exclusivity subsequent to product approval, in support of product candidates intended for the treatment of a life-threatening or chronically debilitating condition affecting no more than five in 10,000 persons in the European Union. ThermoDox® also holds orphan drug designation in the U.S.

We have also demonstrated the 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 Philips Healthcare, a division of 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. In August 2012, we announced FDA Clearance to commence a Phase II Study of ThermoDox® and Philip's Sonalleve® MR-Guided HIFU technology for the palliation of painful metastases to the bone caused by lung, prostate or breast cancers. For certain markets, we may seek licensing partners to share in the development and commercialization costs. We will also evaluate licensing cancer products from third parties for cancer treatments to expand our product pipeline.

On May 30, 2012, we announced that we had reached our enrollment objective of 700 patients in the HEAT study. The target enrollment figure is designed to ensure that the HEAT 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 HEAT study's DMC. The second trigger was 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 allowed us to conduct a planned interim analysis in the fourth quarter of 2011.

On November 28, 2011, we announced that the independent Date Monitoring Committee (DMC) for the HEAT study completed a pre-planned interim analysis for safety, efficacy and futility and unanimously recommended that the study continue to its final analysis as planned. The DMC evaluated data from 613 patients in its review, which was conducted following realization of 219 PFS events within the study population. A total of 380 events of progression are required to reach the planned final analysis of the study, which is projected to occur in late 2012.

Consistent with our global regulatory strategy, we announced on April 23, 2012, that randomization of at least 200 patients in the People's Republic of China (PRC), a requirement for registrational filing in the PRC, had been completed. The HEAT study had already enrolled a sufficient number to support registrational filings in South Korea and Taiwan, two important markets for ThermoDox®.

The DMC has 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 original 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 $2.0 million payment from Yakult Honsha Co. pursuant to our development, product supply and commercialization agreement with Yakult Honsha Co., as amended in January 2011 (the Yakult Agreement), under which Yakult was granted the exclusive right to commercialize and market ThermoDox® for the Japanese market. The terms of the January 2011 amendment to the Yakult Agreement provided for the payment to us of $2.0 million upon the closing of the preferred equity financing we consummated in January 2011 and a second $2.0 million payment to us was conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT study, which has not resumed. In consideration for the $2.0 million accelerated milestone payment from Yakult, we agreed to reduce future drug approval milestone payments by approximately twenty percent (20%). All other milestone payments were unaffected by the amendment. We may 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.

In January 2012, we announced the enrollment of our first patient in the randomized Phase II study of ThermoDox® in combination with radiofrequency ablation for the treatment of colorectal liver metastases (the ABLATE Study). The ABLATE Study is expected to enroll up to 88 patients with colorectal cancer metastasized to the liver. Patients will be randomized to receive either RFA plus ThermoDox® or RFA alone for the treatment of their liver tumors. The primary study endpoint is based on one year local tumor recurrence, with secondary endpoints of time to progression and overall survival.

On May 6, 2012, we entered into a long term commercial supply agreement with Zhejiang Hisun Pharmaceutical Co. Ltd. (Hisun) for the production of ThermoDox® in the mainland China, Hong Kong and Macau (the China territory). Per the terms of the agreement, Hisun will be responsible for providing all of the technical and regulatory support services, including the costs of all technical transfer, registrational and bioequivalence studies, technical transfer costs, Celsion consultative support costs and the purchase of any necessary equipment and additional facility costs necessary to support capacity requirements for the manufacture of ThermoDox®. We will repay Hisun for the aggregate amount of these development costs and fees commencing on the successful completion of three registrational batches of ThermoDox®. The batches are expected to be successfully delivered in mid 2013, and repayment of the development costs will occur at any time on or prior to the fourth year anniversary of the signing of the agreement, which in total is expected to be approximately $2.0 million. Hisun is also obligated to certain performance requirements under the agreement. The agreement will initially be limited to a percentage of the production requirements of ThermoDox® in the China territory with Hisun retaining an option for additional global supply after local regulatory approval in the China territory. In addition, Hisun will collaborate with us in relation to the regulatory approval activities for ThermoDox® with the China State Food and Drug Administration (SFDA).

On June 27, 2012, we entered into a Loan and Security Agreement (the Credit Agreement) with Oxford Finance LLC (Oxford) and Horizon Technology Finance Corporation (Horizon). The Credit Agreement provides for a secured term loan of up to $10 million, with 50% of any loans to be funded by Oxford and 50% to be funded by Horizon. The aggregate loan amount may be advanced in two tranches of $5 million each. The first tranche (the Term A Loan) was made available to us on June 27, 2012 and the second tranche (the Term B Loan) may be made available, if at all, during the period beginning on the date that we achieve positive data in our hepatocellular carcinoma Phase III clinical trial of RFA and ThermoDox® and ending on March 31, 2013. The Term A Loan is scheduled to mature on October 15, 2015 (or, if the Term B Loan is made available, January 1, 2016) and the Term B Loan is scheduled to mature on January 1, 2016. As a fee in connection with the Credit Agreement, we issued warrants to Horizon and Oxford (the Warrants) to purchase the number of shares of Celsion's common stock equal to 3% of each loan amount divided by the exercise price, which is calculated as the average NASDAQ closing price of our common stock for the three days prior to the funding of the loan amount ($2.92 per share for the Term A Loan). This results in 51,370 warrant shares issuable in connection with the Term A Loan and additional warrant shares issuable in connection with the Term B Loan, if that is made available. The Warrants are immediately exercisable for cash or by net exercise and will expire seven years after their issuance, which is June 27, 2019 for the Warrants issued connection with the Term A Loan.

Our current business strategy 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 or 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 " Item 1A. Risk Factors" under "Part II: Other Information" included herein.

FINANCIAL REVIEW FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012 AND 2011

Results of Operations

For the three months ended June 30, 2012, our net loss was $6.1 million, or $0.18 per basic and diluted share, compared to $6.9 million, or $0.42 per basic and diluted share, for the same period of 2011. For the six months ended June 30, 2012, our net loss was $12.3 million, or $0.37 per basic and diluted share, compared to $10.7 million, or $0.72 per basic and diluted share, for the same period of 2011. As of June 30, 2012, we had $24.0 million in cash and short-term investments.

	Three Months Ended June 30,			
	($ amounts in 000's)		Change	
	2012	2011	$	%
Operating Expenses:				
Clinical Research	$ 2,840	$ 4,134	$ 1,294	31.3%
Chemistry, Manufacturing and Controls	1,272	830	(442)	(53.3)%
Research and development	4,112	4,964	852	17.2%
General and administrative	1,595	1,282	(313)	(24.4)%
Total operating expenses	$ 5,707	$ 6,246	$ 539	8.6%
Loss from operations	$ (5,707)	$ (6,246)	$ 539	8.6%

	Six Months Ended June 30,			
	($ amounts in 000's)		Change	
	2012	2011	$	%
Licensing Revenue:	$ –	$ 2,000	$ (2,000)	(100)%
Operating Expenses:				
Clinical Research	$ 6,349	$ 7,584	$ 1,235	16.3%
Chemistry, Manufacturing and Controls	2,456	1,729	(727)	(42.0)%
Research and development	8,805	9,313	508	5.5%
General and administrative	3,166	2,497	(669)	(26.8)%
Total operating expenses	$ 11,971	$ 11,810	$ (161)	(1.4)%
Loss from operations	$ (11,971)	$ (9,810)	$ (2,161)	(22.0)%

Comparison of the three months ended June30 , 2012 and 2011

Research and Development Expenses

Research and development (R&D) expenses decreased $0.9 million from $5.0 million in the second quarter of 2011 to $4.1 million in the same period of 2012. Costs associated with the Heat study decreased to $1.9 million in the second quarter of 2012 compared to $3.4 million in the same period of 2011 primarily due to reaching enrollment targets in the second quarter of 2012. Costs associated with our recurrent chest wall breast cancer clinical trial remained relatively unchanged at $0.1 million in the second quarter of 2012 compared to the same period of 2011. Costs associated with the start up of our colorectal liver metastases trial were $0.1 million in the second quarter of 2012. Preclinical costs increased to $0.4 million in the second quarter of 2012 compared to $0.2 million in the same period of 2011 primarily due to increased support of our preclinical development. Costs associated with the production of ThermoDox® increased to $1.3 million in the second quarter of 2012 compared to $0.8 million in the same period of 2011 primarily due to the production of registration batches and ongoing progress towards developing our commercial manufacturing capabilities for ThermoDox®.

General and Administrative Expenses

General and administrative (G&A) expenses increased to $1.6 million in the second quarter of 2012 compared to $1.3 million in the same period of 2011. This increase is largely the result of an increase in professional fees and personnel costs in the second quarter of 2012 compared to the same period of 2011. We continue to carefully monitor operating costs and focus our financial resources on completing enrollment and patient follow-up in the 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 second quarter of 2012, we recorded a non cash loss of $447,000 based on the change in the fair value of the warrants from the end of the prior quarter compared to recording a non cash loss of $586,000 in the same period of 2011.

In connection with the shares of preferred stock we issued in a January 2011 preferred stock offering, we incurred dividend expense of approximately $0.1 million in the second quarter of 2011. All of the outstanding shares of preferred stock mandatorily converted into common stock in August 2011.

Comparison of the six months ended June 30, 2012 and 2011

Licensing Revenue

In the first half of 2011, we recognized $2.0 million in licensing revenue in relation to the amendment of our development, product supply and commercialization agreement for ThermoDox® with Yakult Honsha Co. Concurrent with a convertible preferred stock equity financing in January 2011, we amended the Yakult Agreement to provide for up to $4.0 million in accelerated partial payments to us on a 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. The second $2.0 million was conditioned upon the resumption of enrollment of Japanese patients in the Japan cohort of the HEAT study, which has not been resumed. In consideration of the $2.0 million accelerated milestone payment from Yakult, we have agreed to reduce future drug approval milestone payments by approximately twenty percent (20%). All other milestone payments are unaffected. We had no licensing revenue in the first half of 2012. We had no licensing revenue in the first half of 2012.

Research and Development Expenses

Research and development (R&D) expenses decreased $0.5 million from $9.3 million in the first half of 2011 to $8.8 million in the same period of 2012. Costs associated with the Heat study decreased to $4.4 million in the first half of 2012 compared to $6.1 million in the same period of 2011 primarily due to reaching enrollment targets in the second quarter of 2012. Costs associated with our recurrent chest wall breast cancer clinical trial remained relatively unchanged at $0.2 million in the first half of 2012 compared to the same period of 2011. Costs associated with the start up of our colorectal liver metastases trial were $0.1 million in the first half of 2012. Preclinical costs remained relatively unchanged at $0.8 million in the first half of 2012 compared to the same period of 2011. Costs associated with the production of ThermoDox® increased to $2.5 million in the first half of 2012 compared to $1.7 million in the same period of 2011 primarily due to the production of registration batches and ongoing progress towards developing our commercial manufacturing capabilities for ThermoDox®.

General and Administrative Expenses

General and administrative (G&A) expenses increased to $3.2 million in the first half of 2012 compared to $2.5 million in the same period of 2011. This increase is largely the result of an increase in professional fees and personnel costs in the first half of 2012 compared to the same period of 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 second quarter of 2012, we recorded a non cash loss of $370,000 based on the change in the fair value of the warrants from the end of the prior quarter compared to recording a non cash loss of $486,000 in the same period of 2011.

In connection with the shares of preferred stock we issued in a January 2011 preferred stock offering, we incurred dividend expense of approximately $481,000 in the first half of 2011. All of the outstanding shares of preferred stock mandatorily converted into common stock in August 2011.

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 and plan also to access debt arrangements as we deem appropriate going forward. 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 $137 million at June 30, 2012.

As of June 30, 2012, we had total current assets of $24.9 million (including cash and short term investments of $24.0 million) and current liabilities of $6.7 million, resulting in working capital of $18.2 million. At December 31, 2011, we had total current assets of $31.5 million (including cash and short term investments of $30.5 million) and current liabilities of $6.2 million, resulting in working capital of $25.3 million.

On June 27, 2012, we entered into a Loan and Security Agreement (the Credit Agreement) with Oxford Finance LLC (Oxford) and Horizon Technology Finance Corporation (Horizon). The Credit Agreement provides for a secured term loan of up to $10 million, with 50% of any loans to be funded by Oxford and 50% to be funded by Horizon. The aggregate loan amount may be advanced in two tranches of $5 million each. The first tranche (the Term A Loan) was made available to us on June 27, 2012 and the second tranche (the Term B Loan) may be made available, if at all, during the period beginning on the date that we achieve positive data in its hepatocellular carcinoma Phase III clinical trial of RFA and ThermoDox® and ending on March 31, 2013. The Term A Loan is scheduled to mature on October 15, 2015 (or, if the Term B Loan is made available, January 1, 2016) and the Term B Loan is scheduled to mature on January 1, 2016. We may use the proceeds of the Credit Agreement to fund our working capital and general corporate purposes. The obligations under the Credit Agreement are secured by substantially all of our assets other than our intellectual property and certain other agreed-upon exclusions.

The Term A Loan bears interest at a fixed rate of 11.75%. If it is made available, the Term B Loan will bear interest at a fixed rate equal to the greater of (i) 11.75% or (ii) the sum of (a) the three month U.S. LIBOR rate (but not less than 0.47%) three days prior to the funding of the loan plus (b) 11.28%. Generally, we are required to pay principal and interest in equal monthly installments. However for an initial period extending for the Term A Loan through May 1, 2013 (or, if the Term B Loan is made available, January 1, 2016) and for the Term B Loan through August 1, 2013, we are only required to make interest payments. we are also obligated to pay other customary facility fees for a credit facility of this size and type.

We will require additional capital 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 may 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.

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/A for the year ended December 31, 2011.

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 June 30, 2012, 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 six months ended June 30, 2012 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

The following is a summary of the risk factors, uncertainties and assumptions that we believe are most relevant to our business. These are factors that, individually or in the aggregate, we think could cause our actual results to differ significantly from anticipated or historical results and our forward-looking statements. Additional risks that we currently believe are immaterial may also impair our business operations. Investors should carefully consider the risks described below before making an investment decision, and you should understand that it is not possible to predict or identify all such factors. Consequently, you should not consider the following to be a complete discussion of all potential risks or uncertainties. Moreover, we operate in a competitive and rapidly changing environment. New factors emerge from time to time and it is not possible to predict the impact of all of these factors on our business, financial condition or results of operations. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events, or otherwise. The description provided in this Item 1A includes any material changes to and supersedes the description of the risk factors associated with our business previously disclosed in Item 1A of our Annual Report on Form 10-K/A for the year ended December 31, 2011 and Item 1A of our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012. In assessing these risks, investors should also refer to the other information contained or incorporated by reference in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K/A for the year ended December 31, 2011 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, including our consolidated financial statements and related notes, and our other filings made from time to time with the Securities and Exchange Commission.

RISKS RELATING TO OUR BUSINESS

We have a history of significant losses from continuing operations and expect to continue such losses for the foreseeable future.

Since Celsion's inception, our expenses have substantially exceeded our revenues, resulting in continuing losses and an accumulated deficit of $137 million at June 30, 2012. For the six months ended June 30, 2012, we incurred a net loss of $12.3 million. Because we presently have no product revenues and we are committed to continuing our product research, development and commercialization programs, we will continue to experience significant operating losses unless and until we complete the development of ThermoDox® and other new products and these products have been clinically tested, approved by the FDA and successfully marketed.

Drug development is an inherently uncertain process with a high risk of failure at every stage of development.

We have a number of drug candidates in research and development ranging from the early discovery research phase through preclinical testing and clinical trials. Preclinical testing and clinical trials are long, expensive and highly uncertain processes and failure can unexpectedly occur at any stage of clinical development. It will take us several years to complete clinical studies. The start or end of a clinical study is often delayed or halted due to changing regulatory requirements, manufacturing challenges, required clinical trial administrative actions, slower than anticipated patient enrollment, changing standards of care, availability or prevalence of use of a comparator drug or required prior therapy, clinical outcomes or our own financial constraints. The failure of one or more of our drug candidates could have a material adverse effect on our business, financial condition and results of operations.

If we do not obtain or maintain FDA and international regulatory approvals for our drug candidates on a timely basis, or at all, or if the terms of any approval impose significant restrictions or limitations on use, we will be unable to sell those products and our business, results of operations and financial condition will be negatively affected.

To obtain regulatory approvals from the FDA and international regulatory agencies, we must conduct clinical trials demonstrating that our products are safe and effective. We may need to amend ongoing trials or the FDA and/or international regulatory agencies may require us to perform additional trials beyond those we planned. This process generally takes a number of years and requires the expenditure of substantial resources. The time required for completing testing and obtaining approvals is uncertain, and the FDA and foreign regulatory agencies have substantial discretion, at any phase of development, to terminate clinical studies, require additional clinical development or other testing, delay or withhold registration and marketing approval and mandate product withdrawals, including recalls.

In addition, undesirable side effects caused by our drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restricted label or the delay or denial of regulatory approval by regulatory authorities. Even if we receive regulatory approval of a product, the approval may limit the indicated uses for which the drug may be marketed. The failure to obtain timely regulatory approval of product candidates, any product marketing limitations or a product withdrawal would negatively impact our business, results of operations and financial condition.

We do not expect to generate significant revenue for the foreseeable future.

We have devoted our resources to developing a new generation of products and will not be able to market these products until we have completed clinical testing and obtain all necessary governmental approvals. In addition, our products are still in various stages of development and testing and cannot be marketed until we have completed clinical testing and obtained necessary governmental approval. Accordingly, our revenue sources are, and will remain, extremely limited until and if our products are clinically tested, approved by the FDA and successfully marketed. Currently Yakult Honsha Co. is our only collaboration partner. Under our development, product supply and commercialization agreement with Yakult, which was amended in January 2011, we may receive certain milestone payments as well as royalties on the sale of ThermoDox® in Japan, when and if any such sales occur. In May, 2012, we entered into a development, manufacturing and supply agreement with Zhejiang Hisun Pharmaceutical Co. Ltd. under a technology development agreement. We cannot guarantee that any of our products will be successfully tested, approved by the FDA or marketed, successfully or otherwise, at any time in the foreseeable future or at all.

We will need to raise substantial additional capital to fund our planned future operations, and we may be unable to secure such capital without dilutive financing transactions. If we are not able to raise additional capital, we may not be able to complete the development, testing and commercialization of our product candidates.

As of June 30, 2012, we had approximately $24.0 million in cash, cash equivalents and short-term investments. To complete the development and commercialization of our products, we will need to raise substantial amounts of additional capital to fund our operations. We do not have any committed sources of financing and cannot assure you that alternate funding will be available in a timely manner, on acceptable terms or at all. We may need to pursue dilutive equity financings, such as the issuance of shares of common stock, convertible debt or other convertible or exercisable securities. Such dilutive equity financings would dilute the percentage ownership of our current common stockholders and could significantly lower the market value of our common stock. In addition, a financing could result in the issuance of new securities that may have rights, preferences or privileges senior to those of our existing stockholders.

If we cannot raise additional capital, we may be required to delay, reduce or eliminate certain aspects of our operations or attempt to obtain funds through unfavorable arrangements with partners or others that may force us to relinquish rights to certain of our technologies, products or potential markets or that could impose onerous financial or other terms. Furthermore, if we cannot fund our ongoing development and other operating requirements, particularly those associated with our obligations to conduct clinical trials under our licensing agreements, we will be in breach of these licensing agreements and could therefore lose our license rights, which could have material adverse effects on our business.

We have no internal sales or marketing capability. If we are unable to create sales, marketing and distribution capabilities or enter into alliances with others possessing such capabilities to perform these functions, we will not be able to commercialize our products successfully.

We currently have no sales, marketing or distribution capabilities. We intend to market our products, if and when such products are approved for commercialization by the FDA, EMA, and other important territories worldwide, either directly or through other strategic alliances and distribution arrangements with third parties. If we decide to market our products directly, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and with supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products, we will need to establish and maintain partnership arrangements, and there can be no assurance that we will be able to enter into third-party marketing or distribution arrangements on acceptable terms or at all. To the extent that we do enter into such arrangements, we will be dependent on our marketing and distribution partners. In entering into third-party marketing or distribution arrangements, we expect to incur significant additional expense and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance for our products and services.

Our business depends on license agreements with third parties to permit us to use patented technologies. The loss of any of our rights under these agreements could impair our ability to develop and market our products.

Our success will depend, in a substantial part, on our ability to maintain our rights under license agreements granting us rights to use patented technologies. We have entered into license agreements with Duke University, under which we have exclusive rights to commercialize medical treatment products and procedures based on Duke's thermo-sensitive liposome technology. The Duke University license agreement contains a license fee, royalty and/or research support provisions, testing and regulatory milestones, and other performance requirements that we must meet by certain deadlines. Additionally, we have a joint research agreement with Philips Healthcare, a division of 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. If we breach any provisions of the license and research agreements, we may lose our ability to use the subject technology, as well as compensation for our efforts in developing or exploiting the technology. Any such loss of rights and access to technology could have a material adverse effect on our business.

Further, we cannot guarantee that any patent or other technology rights licensed to us by others will not be challenged or circumvented successfully by third parties, or that the rights granted will provide adequate protection. We may be required to alter any of our potential products or processes, or enter into a license and pay licensing fees to a third party or cease certain activities. There can be no assurance that we can obtain a license to any technology that we determine we need on reasonable terms, if at all, or that we could develop or otherwise obtain alternate technology. If a license is not available on commercially reasonable terms or at all, our business, results of operations, and financial condition could be significantly harmed and we may be prevented from developing and commercializing the product. Litigation, which could result in substantial costs, may also be necessary to enforce any patents issued to or licensed by us or to determine the scope and validity of others' claimed proprietary rights.

We rely on trade secret protection and other unpatented proprietary rights for important proprietary technologies, and any loss of such rights could harm our business, results of operations and financial condition.

We rely on trade secrets and confidential information that we seek to protect, in part, by confidentiality agreements with our corporate partners, collaborators, employees and consultants. We cannot assure you that these agreements are adequate to protect our trade secrets and confidential information or will not be breached or, if breached, we will have adequate remedies. Furthermore, others may independently develop substantially equivalent confidential and proprietary information or otherwise gain access to our trade secrets or disclose such technology.

Our products may infringe patent rights of others, which may require costly litigation and, if we are not successful, could cause us to pay substantial damages or limit our ability to commercialize our products.

Our commercial success depends on our ability to operate without infringing the patents and other proprietary rights of third parties. There may be third party patents that relate to our products and technology. We may unintentionally infringe upon valid patent rights of third parties. Although we currently are not involved in any material litigation involving patents, a third party patent holder may assert a claim of patent infringement against us in the future. Alternatively, we may initiate litigation against the third party patent holder to request that a court declare that we are not infringing the third party's patent and/or that the third party's patent is invalid or unenforceable. If a claim of infringement is asserted against us and is successful, and therefore we are found to infringe, we could be required to pay damages for infringement, including treble damages if it is determined that we knew or became aware of such a patent and we failed to exercise due care in determining whether or not we infringed the patent. If we have supplied infringing products to third parties or have licensed third parties to manufacture, use or market infringing products, we may be obligated to indemnify these third parties for damages they may be required to pay to the patent holder and for any losses they may sustain. We can also be prevented from selling or commercializing any of our products that use the infringing technology in the future, unless we obtain a license from such third party. A license may not be available from such third party on commercially reasonable terms, or may not be available at all. Any modification to include a non-infringing technology may not be possible or if possible may be difficult or time-consuming to develop, and require revalidation, which could delay our ability to commercialize our products. Any infringement action asserted against us, even if we are ultimately successful in defending against such action, would likely delay the regulatory approval process of our products, harm our competitive position, be expensive and require the time and attention of our key management and technical personnel.

We rely on third parties to conduct all of our clinical trials. If these third parties are unable to carry out their contractual duties in a manner that is consistent with our expectations, comply with budgets and other financial obligations or meet expected deadlines, we may not receive certain development milestone payments or be able to obtain regulatory approval for or commercialize our product candidates in a timely or cost-effective manner.

We rely, and expect to continue to rely, on third-party clinical research organizations to conduct our clinical trials. Because we do not conduct our own clinical trials, we must rely on the efforts of others and cannot always control or predict accurately the timing of such trials, the costs associated with such trials or the procedures that are followed for such trials. We do not expect to significantly increase our personnel in the foreseeable future and may continue to rely on third parties to conduct all of our future clinical trials. If these third parties are unable to carry out their contractual duties or obligations in a manner that is consistent with our expectations or meet expected deadlines, if they do not carry out the trials in accordance with budgeted amounts, if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols or for other reasons, or if they fail to maintain compliance with applicable government regulations and standards, our clinical trials may be extended, delayed or terminated or may become significantly expensive, we may not receive development milestone payments when expected or at all, and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates.

Our business is subject to numerous and evolving state, federal and foreign regulations and we may not be able to secure the government approvals needed to develop and market our products.

Our research and development activities, pre-clinical tests and clinical trials, and ultimately the manufacturing, marketing and labeling of our products, are all subject to extensive regulation by the FDA and foreign regulatory agencies. Pre-clinical testing and clinical trial requirements and the regulatory approval process typically take years and require the expenditure of substantial resources. Additional government regulation may be established that could prevent or delay regulatory approval of our product candidates. Delays or rejections in obtaining regulatory approvals would adversely affect our ability to commercialize any product candidates and our ability to generate product revenues or royalties.

The FDA and foreign regulatory agencies require that the safety and efficacy of product candidates be supported through adequate and well-controlled clinical trials. If the results of pivotal clinical trials do not establish the safety and efficacy of our product candidates to the satisfaction of the FDA and other foreign regulatory agencies, we will not receive the approvals necessary to market such product candidates. Even if regulatory approval of a product candidate is granted, the approval may include significant limitations on the indicated uses for which the product may be marketed.

We are subject to the periodic inspection of our clinical trials, facilities, procedures and operations and/or the testing of our products by the FDA to determine whether our systems and processes, or those of our vendors and suppliers, are in compliance with FDA regulations. Following such inspections, the FDA may issue notices on Form 483 and warning letters that could cause us to modify certain activities identified during the inspection. A Form 483 notice is generally issued at the conclusion of an FDA inspection and lists conditions the FDA inspectors believe may violate FDA regulations. FDA guidelines specify that a warning letter is issued only for violations of “regulatory significance” for which the failure to adequately and promptly achieve correction may be expected to result in an enforcement action.

Failure to comply with FDA and other governmental regulations can result in fines, unanticipated compliance expenditures, recall or seizure of products, total or partial suspension of production and/or distribution, suspension of the FDA’s review of product applications, enforcement actions, injunctions and criminal prosecution. Under certain circumstances, the FDA also has the authority to revoke previously granted product approvals. Although we have internal compliance programs, if these programs do not meet regulatory agency standards or if our compliance is deemed deficient in any significant way, it could have a material adverse effect on the Company.

We are also subject to recordkeeping and reporting regulations. These regulations require, among other things, the reporting to the FDA of adverse events alleged to have been associated with the use of a product or in connection with certain product failures.

Labeling and promotional activities also are regulated by the FDA. We must also comply with record keeping requirements as well as requirements to report certain adverse events involving our products. The FDA can impose other post-marketing controls on us as well as our products including, but not limited to, restrictions on sale and use, through the approval process, regulations and otherwise.

Many states in which we do, or in the future, may do business, or in which our products may be sold, impose licensing, labeling or certification requirements that are in addition to those imposed by the FDA. There can be no assurance that one or more states will not impose regulations or requirements that have a material adverse effect on our ability to sell our products.

In many of the foreign countries in which we may do business or in which our products may be sold, we will be subject to regulation by national governments and supranational agencies as well as by local agencies affecting, among other things, product standards, packaging requirements, labeling requirements, import restrictions, tariff regulations, duties and tax requirements. There can be no assurance that one or more countries or agencies will not impose regulations or requirements that could have a material adverse effect on our ability to sell our products.

Legislative and regulatory changes affecting the healthcare industry could adversely affect our business.

Political, economic and regulatory influences are subjecting the healthcare industry to potential fundamental changes that could substantially affect our results of operations. There have been a number of government and private sector initiatives during the last few years to limit the growth of healthcare costs, including price regulation, competitive pricing, coverage and payment policies, comparative effectiveness of therapies, technology assessments and managed-care arrangements. It is uncertain whether or when any legislative proposals will be adopted or what actions federal, state, or private payers for health care treatment and services may take in response to any healthcare reform proposals or legislation. We cannot predict the effect healthcare reforms may have on our business and we can offer no assurances that any of these reforms will not have a material adverse effect on our business. These actual and potential changes are causing the marketplace to put increased emphasis on the delivery of more cost-effective treatments. In addition, uncertainty remains regarding proposed significant reforms to the U.S. healthcare system.

The success of our products may be harmed if the government, private health insurers and other third-party payors do not provide sufficient coverage or reimbursement.

Our ability to commercialize our new cancer treatment systems successfully will depend in part on the extent to which reimbursement for the costs of such products and related treatments will be available from government health administration authorities, private health insurers and other third-party payers. The reimbursement status of newly approved medical products is subject to significant uncertainty. We cannot guarantee that adequate third-party insurance coverage will be available for us to establish and maintain price levels sufficient for us to realize an appropriate return on our investment in developing new therapies. Government, private health insurers and other third-party payers are increasingly attempting to contain healthcare costs by limiting both coverage and the level of reimbursement for new therapeutic products approved for marketing by the FDA. Accordingly, even if coverage and reimbursement are provided by government, private health insurers and third-party payers for uses of our products, market acceptance of these products would be adversely affected if the reimbursement available proves to be unprofitable for health care providers.

Our products may not achieve sufficient acceptance by the medical community to sustain our business.

Our cancer treatment development projects using ThermoDox® plus RFA or microwave heating, are currently in clinical trials. Any or all of these projects may prove not to be effective in practice. If testing and clinical practice do not confirm the safety and efficacy of our product candidates or, even if further testing and practice produce positive results but the medical community does not view these new forms of treatment as effective and desirable, our efforts to market our new products may fail, with material adverse consequences to our business.

The commercial potential of a drug candidate in development is difficult to predict. If the market size for a new drug is significantly smaller than we anticipate, it could significantly and negatively impact our revenue, results of operations and financial condition.

It is very difficult to estimate the commercial potential of product candidates due to important factors such as safety and efficacy compared to other available treatments, including potential generic drug alternatives with similar efficacy profiles, changing standards of care, third party payer reimbursement standards, patient and physician preferences, the availability of competitive alternatives that may emerge either during the long drug development process or after commercial introduction, and the availability of generic versions of our successful product candidates following approval by government health authorities based on the expiration of regulatory exclusivity or our inability to prevent generic versions from coming to market by asserting our patents. If due to one or more of these risks the market potential for a drug candidate is lower than we anticipated, it could significantly and negatively impact the revenue potential for such drug candidate and would adversely affect our business, financial condition and results of operations.

Technologies for the treatment of cancer are subject to rapid change, and the development of treatment strategies that are more effective than our technologies could render our technologies obsolete.

Various methods for treating cancer currently are, and in the future are expected to be, the subject of extensive research and development. Many possible treatments that are being researched, if successfully developed, may not require, or may supplant, the use of our technologies. The successful development and acceptance of any one or more of these alternative forms of treatment could render our technology obsolete as a cancer treatment method.

We may not be able to hire or retain key officers or employees that we need to implement our business strategy and develop our products and business.

Our success depends significantly on the continued contributions of our executive officers, scientific and technical personnel and consultants, and on our ability to attract additional personnel as we seek to implement our business strategy and develop our products and businesses. During our operating history, we have assigned many essential responsibilities to a relatively small number of individuals. However, as our business and the demands on our key employees expand, we have been, and will continue to be, required to recruit additional qualified employees. The competition for such qualified personnel is intense, and the loss of services of certain key personnel or our inability to attract additional personnel to fill critical positions could adversely affect our business. Further, we do not carry “key man” insurance on any of our personnel. Therefore, loss of the services of key personnel would not be ameliorated by the receipt of the proceeds from such insurance.

Our success will depend in part on our ability to grow and diversify, which in turn will require that we manage and control our growth effectively.

Our business strategy contemplates growth and diversification. Our ability to manage growth effectively will require that we continue to expend funds to improve our operational, financial and management controls, reporting systems and procedures. In addition, we must effectively expand, train and manage our employees. We will be unable to manage our business effectively if we are unable to alleviate the strain on resources caused by growth in a timely and successful manner. There can be no assurance that we will be able to manage our growth and a failure to do so could have a material adverse effect on our business.

We face intense competition and the failure to compete effectively could adversely affect our ability to develop and market our products.

There are many companies and other institutions engaged in research and development of various technologies for cancer treatment products that seek treatment outcomes similar to those that we are pursuing. We believe that the level of interest by others in investigating the potential of possible competitive treatments and alternative technologies will continue and may increase. Potential competitors engaged in all areas of cancer treatment research in the United States and other countries include, among others, major pharmaceutical, specialized technology companies, and universities and other research institutions. Most of our current and potential competitors have substantially greater financial, technical, human and other resources, and may also have far greater experience than do we, both in pre-clinical testing and human clinical trials of new products and in obtaining FDA and other regulatory approvals. One or more of these companies or institutions could succeed in developing products or other technologies that are more effective than the products and technologies that we have been or are developing, or which would render our technology and products obsolete and non-competitive. Furthermore, if we are permitted to commence commercial sales of any of our products, we will also be competing, with respect to manufacturing efficiency and marketing, with companies having substantially greater resources and experience in these areas.

We may be subject to significant product liability claims and litigation.

Our business exposes us to potential product liability risks inherent in the testing, manufacturing and marketing of human therapeutic products. We presently have product liability insurance limited to $10 million per incident and $10 million annually. If we were to be subject to a claim in excess of this coverage or to a claim not covered by our insurance and the claim succeeded, we would be required to pay the claim with our own limited resources, which could have a severe adverse effect on our business. Whether or not we are ultimately successful in any product liability litigation, such litigation would harm the business by diverting the attention and resources of our management, consuming substantial amounts of our financial resources and by damaging our reputation. Additionally, we may not be able to maintain our product liability insurance at an acceptable cost, if at all.

RISKS RELATED TO OUR COMMON STOCK

The market price of our common stock has been, and may continue to be, volatile and fluctuate significantly, which could result in substantial losses for investors and subject us to securities class action litigation.

The trading price for our common stock has been, and we expect it to continue to be, volatile. The price at which our common stock trades depends upon a number of factors, including our historical and anticipated operating results, our financial situation, announcements of technological innovations or new products by us or our competitors, our ability or inability to raise the additional capital we may need and the terms on which we raise it, and general market and economic conditions. Some of these factors are beyond our control. Broad market fluctuations may lower the market price of our common stock and affect the volume of trading in our stock, regardless of our financial condition, results of operations, business or prospects. Our closing price of our common stock had a high price of $4.23 and a low price of $1.69 in the 52-week period ended December 31, 2011 and a high price of $3.12 and a low price of $1.64 in the first half of 2012. Among the factors that may cause the market price of our common stock to fluctuate are the risks described in this "Risk Factors" section and other factors, including:

- fluctuations in our quarterly operating results or the operating results of our competitors;
- variance in our financial performance from the expectations of investors;
- changes in the estimation of the future size and growth rate of our markets;
- changes in accounting principles or changes in interpretations of existing principles, which could affect our financial results;
- failure of our products to achieve or maintain market acceptance or commercial success;
- conditions and trends in the markets we serve;
- changes in general economic, industry and market conditions;
- success of competitive products and services;
- changes in market valuations or earnings of our competitors;
- changes in our pricing policies or the pricing policies of our competitors;
- announcements of significant new products, contracts, acquisitions or strategic alliances by us or our competitors;
- changes in legislation or regulatory policies, practices, or actions;
- the commencement or outcome of litigation involving our company, our general industry or both;
- recruitment or departure of key personnel;
- changes in our capital structure, such as future issuances of securities or the incurrence of additional debt;
- actual or expected sales of our common stock by our stockholders; and
- the trading volume of our common stock.

In addition, the stock markets in general, the NASDAQ Capital Market and the market for pharmaceutical companies in particular, may experience a loss of investor confidence. Such loss of investor confidence may result in extreme price and volume fluctuations in our common stock that are unrelated or disproportionate to the operating performance of our business, financial condition or results of operations. These broad market and industry factors may materially harm the market price of our common stock and expose us to securities class action litigation. Such litigation, even if unsuccessful, could be costly to defend and divert management's attention and resources, which could further materially harm our financial condition and results of operations.

We may be unable to maintain compliance with NASDAQ Marketplace Rules which could cause our common stock to be delisted from The NASDAQ Capital Market. This could result in the lack of a market for our common stock, cause a decrease in the value of an investment in us, and adversely affect our business, financial condition and results of operations.

In April 2011 we received notice from The NASDAQ Listing Qualifications Department that we were not in compliance with the minimum Market Value of Listed Securities (MVLS) requirement for continued listing on The NASDAQ Capital Market, as set forth in NASDAQ Listing Rule 5550(b)(2) (the Rule), which requires a listed company to maintain a minimum MVLS of $35 million. On May 10, 2011, we received a letter from NASDAQ stating that our MVLS had been $35 million or greater for the previous ten consecutive business days (from April 26, 2011 to May 9, 2011) and that we had regained compliance with the Rule.

We cannot guarantee that our MVLS will remain at or above $35 million and if our MVLS again drops below $35 million, the stock could become subject to delisting again. If our common stock is delisted, trading of the stock will most likely take place on an over-the-counter market established for unlisted securities, such as the Pink Sheets or the OTC Bulletin Board. An investor is likely to find it less convenient to sell, or to obtain accurate quotations in seeking to buy, our common stock on an over-the-counter market, and many investors may not buy or sell our common stock due to difficulty in accessing over-the-counter markets, or due to policies preventing them from trading in securities not listed on a national exchange or other reasons. In addition, as a delisted security, our common stock would be subject to SEC rules regarding "penny stock," which impose additional disclosure requirements on broker-dealers. The regulations relating to penny stocks, coupled with the typically higher cost per trade to investors in penny stocks due to factors such as broker commissions generally representing a higher percentage of the price of a penny stock than of a higher priced stock, would further limit the ability and willingness of investors to trade in our common stock. For these reasons and others, delisting would adversely affect the liquidity, trading volume and price of our common stock, causing the value of an investment in us to decrease and having an adverse effect on our business, financial condition and results of operations, including our ability to attract and retain qualified executives and employees and to raise capital.

Adverse capital and credit market conditions could affect our liquidity.

Adverse capital and credit market conditions could affect our ability to meet liquidity needs, as well as our access to capital and cost of capital. The capital and credit markets have experienced extreme volatility and disruption in recent years. Our results of operations, financial condition, cash flows and capital position could be materially adversely affected by continued disruptions in the capital and credit markets.

We have not paid dividends on our common stock in the past and do not intend to do so for the foreseeable future.

We have never paid cash dividends on our common stock. We do not anticipate paying any cash dividends on our common stock in the foreseeable future. We currently intend to retain all available funds and any future earnings to fund the development and growth of our business. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future for holders of our common stock

Anti-takeover provisions in our charter documents and Delaware law could prevent or delay a change in control.

Our Certificate of Incorporation and Bylaws may discourage, delay or prevent a merger or acquisition that a stockholder may consider favorable by authorizing the issuance of "blank check" preferred stock. This preferred stock may be issued by our board of directors on such terms as it determines, without further stockholder approval. Therefore, our board of directors may issue such preferred stock on terms unfavorable to a potential bidder in the event that our board of directors opposes a merger or acquisition. In addition, our classified board of directors may discourage such transactions by increasing the amount of time necessary to obtain majority representation on our board of directors. Certain other provisions of our Bylaws and of Delaware law may also discourage, delay or prevent a third party from acquiring or merging with us, even if such action were beneficial to some, or even a majority, of our stockholders.

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

In connection with the first tranche (the Term A Loan) under our Loan and Security Agreement (the Credit Agreement) with Oxford Finance LLC (Oxford) and Horizon Technology Finance Corporation (Horizon), on June 27, 2012, we issued warrants (the Warrants) to Oxford and Horizon. (For more information on the Credit Agreement, please see the disclosure set forth under Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources".)

The Warrants were issued in connection with the Credit Agreement, and no separate consideration was paid for the Warrants. The Warrants have not been registered under the Securities Act of 1933, as amended, and were issued pursuant to the exemptions from registration provided by Section 4(2) of the Securities Act of 1933 and/or Regulation D and/or Regulation S promulgated thereunder. The shares issued or issuable thereunder are restricted in accordance with Rule 144 under the Securities Act of 1933.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. [Removed and Reserved].

Item 5. Other Information.

None.

Item 6. Exhibits.

4.1	Warrant to Purchase Stock, dated June 27, 2012, by and between Celsion Corporation and Oxford Financing LLC.
4.2	Warrant to Purchase Stock, dated June 27, 2012, by and between Celsion Corporation and Horizon Technology Finance Corporation.
10.1	Celsion Corporation 2007 Stock Incentive Plan, as amended, incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K of the Company, filed on June 7, 2012
10.2*	Technology Development Agreement, dated May 6, 2012, by and among Celsion Corporation, Zhejiang Hisun Pharmaceutical Co. Ltd. and Hisun Pharmaceutical USA, Inc.
10.3	Loan and Security Agreement, dated June 27, 2012, by and among Celsion Corporation, Oxford Finance LLC and Horizon Technology Finance Corporation.
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)
101***	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2012, formatted in XBRL (Extensible Business Reporting Language): (i) the unaudited Balance Sheets, (ii) the unaudited Statements of Operations, (iii) the unaudited Statements of Comprehensive Loss, (iv) the unaudited Statements of Cash Flows, (v) the unaudited Statements of Change in Stockholders' Equity (Deficit), and (vi) Notes to Financial Statements.

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

**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.

August 14, 2012

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

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE STOCK

Company:	CELSION CORPORATION, a Delaware corporation
Number of Shares:	25,685
Type/Series of Stock:	Common Stock
Warrant Price:	$2.92 per share
Issue Date:	June 27, 2012
Expiration Date:	June 27, 2019 See also Section 5.1(b).
Credit Facility:	This Warrant to Purchase Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement of even date herewith among Oxford Finance LLC, as Lender and Collateral Agent, the Lenders from time to time party thereto, including Horizon Technology Finance Corporation and the Company (as modified, amended and/or restated from time to time, the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, OXFORD FINANCE LLC ("**Oxford**" and, together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated Type/Series of Stock (the "**Class**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares (or other security issuable upon the exercise hereof) being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant (or upon a deemed exercise pursuant to this Section in accordance with the terms of Section 1.6 or 5.1(b)), in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares (or such other securities) equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares (or other securities) as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares (or other securities) to be issued to the Holder;

Y = the number of Shares (or other securities) with respect to which this Warrant is being exercised (inclusive of the Shares (or other securities) surrendered to the Company in payment of the aggregate Warrant Price);

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share (or other security); and

B = the Warrant Price.

1.3 Fair Market Value. If the Company's common stock (or other securities issuable upon the exercise hereof) is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**") and the Class is common stock (or such other securities issuable upon the exercise hereof), the fair market value of a Share (or such other securities) shall be the average of the closing price or sale price of a share of common stock (or such other securities) reported for the three (3) Business Days immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's common stock (or other securities issuable upon the exercise hereof) is then traded in a Trading Market and the Class is a series of the Company's convertible preferred stock (or other securities convertible into the Company's common stock or such other securities issuable upon the exercise hereof), the fair market value of a Share (or such other security) shall be the average of the closing price or last sale price of a share of the Company's common stock (or such other security) reported for the three (3) Business Days immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company multiplied by the number of shares of the Company's common stock (or such other security) into which a Share (or such other security) is then convertible. If the Company's common stock (or other securities issuable upon the exercise hereof) is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share (or such other security) in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares (or other security issuable upon the exercise hereof) issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares (or other securities) not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization (or, if such Company stockholders beneficially own a majority of the outstanding voting power of the surviving or successor entity as of immediately after such merger, consolidation or reorganization, such surviving or successor entity is not the Company); or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), either (i) Holder shall exercise this Warrant pursuant to Section 1.1 and/or 1.2 and such exercise will be deemed effective immediately prior to and contingent upon the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire immediately prior to the consummation of such Acquisition.

(c) The Company shall provide Holder with written notice of a pending Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Cash/Public Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of the proposed Cash/Public Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon such exercise to the Holder and Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be less than or equal to the Warrant Price in effect on such date, then the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares (or other security issuable upon the exercise hereof) issuable upon exercise of the unexercised portion of this Warrant as if such Shares (or other securities) were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) The Company shall provide Holder with written notice of a pending Acquisition other than a Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of such proposed Acquisition. Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares (or other security issuable upon the exercise hereof) issuable upon exercise of the unexercised portion of this Warrant as if such Shares (or other securities) were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(e) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) Holder would be able to publicly re-sell, within six (6) months following the closing of such Acquisition, all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise this Warrant in full on or prior to the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Class payable in common stock or other securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property (other than cash) which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Class are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 No Fractional Share. No fractional Share (or other security issuable upon the exercise hereof) shall be issuable upon exercise of this Warrant and the number of Shares (or other securities) to be issued shall be rounded down to the nearest whole Share (or other security). If a fractional Share (or other security) interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share (or other security) interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share (or other security), less (ii) the then-effective Warrant Price.

2.4 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares (or other security issuable upon the exercise hereof), the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, Class and/or number of Shares (or other securities), the computation thereof and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such adjustment and the Warrant Price, Class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows: all Shares (or other security issuable upon the exercise hereof) which may be issued upon the exercise of this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class (or other security issuable upon the exercise hereof) as will be sufficient to permit the exercise in full of this Warrant.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class; or

(d) effect an Acquisition or to liquidate, dissolve or wind up;

then, in connection with each such event, the Company shall give Holder:

(1) at least seven (7) Business Days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Class will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above; and

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event).

Reference is made to Section 1.6(c) whereby this Warrant will be deemed to be exercised pursuant to Section 1.2 hereof if the Company does not give written notice to Holder of a Cash/Public Acquisition as required by the terms hereof. Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares (or other security issuable upon the exercise hereof).

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares (or other securities) issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares (or other securities) issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 No Stockholder Rights. Except as otherwise expressly set forth herein (including with respect to stock dividends in Section 2.1), Holder, in its capacity as the holder of this Warrant, shall not be entitled to vote or receive dividends, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to receive notice of meetings, or to receive subscription rights, until this Warrant shall have been exercised.

SECTION 5. MISCELLANEOUS.

5.1 Term; Automatic Cashless Exercise Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Eastern time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. Each certificate evidencing Shares (or other securities issuable upon the exercise hereof) shall be imprinted with a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO OXFORD FINANCE LLC DATED JUNE 27, 2012, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares (or other securities) issued upon exercise of this Warrant may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an Affiliate (as defined under the Act) of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Transfer Procedure. After receipt by Holder of the executed Warrant, Oxford may transfer all or part of this Warrant to one or more of Oxford's Affiliates (as defined under the Act; each, an "**Oxford Affiliate**"), by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing the Company with written notice, Oxford, any such Oxford Affiliate and any subsequent Holder, may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant to any transferee, provided, however, in connection with any such transfer, the Oxford Affiliate(s) or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

Oxford Finance LLC
133 N. Fairfax Street
Alexandria, VA 22314
Attn: Legal Department
Telephone: (703) 519-4900
Facsimile: (703) 519-5225

Email: LegalDepartment@oxfordfinance.com

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

CELSION CORPORATION
997 Lenox Drive, Suite 100
Lawrenceville, New Jersey 08648
Attn: Chief Financial Officer
Telephone: (609) 896-9100
Facsimile: (609) 896-2200
Email: gweaver@celsion.com

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which banks in the United States are required or authorized to be closed.

[*Balance of Page Intentionally Left Blank*]

IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

CELSION CORPORATION

By: _____

Name: _____
(Print)

Title: _____

"HOLDER"

OXFORD FINANCE LLC

By: _____

Name: _____
(Print)

Title: _____

APPENDIX 1

NOTICE OF EXERCISE

1. The undersigned Holder hereby exercises its right purchase _____ shares of the Common Stock of CELSION CORPORATION (the "**Company**") in accordance with the attached Warrant To Purchase Stock (the "**Warrant**"), and tenders payment of the aggregate Warrant Price for such shares as follows:

[ ] check in the amount of $_____ payable to order of the Company enclosed herewith

[ ] Wire transfer in the amount of $_____ in immediately available funds to the Company's account

[ ] Cashless Exercise pursuant to Section 1.2 of the Warrant

[ ] Other (pursuant to the terms of Section 1.1 of the Warrant) [Describe] _____

2. Please issue a certificate or certificates representing the Shares (or other security issuable upon the exercise of the Warrant) in the name specified below:

_____

Holder's Name

_____

_____

(Address)

3. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant as of the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX 2

ASSIGNMENT

For value received, Oxford Finance LLC hereby sells, assigns and transfers unto

Name: [OXFORD TRANSFEREE]

Address: _____

Tax ID: _____

that certain Warrant to Purchase Stock issued by CELSION CORPORATION (the "**Company**"), on June 27, 2012 (the "**Warrant**") together with all rights, title and interest therein.

OXFORD FINANCE LLC

By: _____

Name: _____

Title: _____

Date: _____

By its execution below, and for the benefit of the Company, [OXFORD TRANSFEREE] makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

[OXFORD TRANSFEREE]

By: _____

Name: _____

Title: _____

THIS WARRANT AND THE SHARES ISSUABLE HEREUNDER HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN SECTIONS 5.3 AND 5.4 BELOW, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE COMPANY, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

WARRANT TO PURCHASE STOCK

Company:	CELSION CORPORATION, a Delaware corporation
Number of Shares:	25,685
Type/Series of Stock:	Common Stock
Warrant Price:	$2.92 per share
Issue Date:	June 27, 2012
Expiration Date:	June 27, 2019 See also Section 5.1(b).
Credit Facility:	This Warrant to Purchase Stock ("**Warrant**") is issued in connection with that certain Loan and Security Agreement of even date herewith among Oxford Finance LLC, as Lender and Collateral Agent, the Lenders from time to time party thereto, including Horizon Technology Finance Corporation and the Company (as modified, amended and/or restated from time to time, the "**Loan Agreement**").

THIS WARRANT CERTIFIES THAT, for good and valuable consideration, HORIZON TECHNOLOGY FINANCE CORPORATION ("**Horizon**" and together with any successor or permitted assignee or transferee of this Warrant or of any shares issued upon exercise hereof, "**Holder**") is entitled to purchase the number of fully paid and non-assessable shares (the "**Shares**") of the above-stated Type/Series of Stock (the "**Class**") of the above-named company (the "**Company**") at the above-stated Warrant Price, all as set forth above and as adjusted pursuant to Section 2 of this Warrant, subject to the provisions and upon the terms and conditions set forth in this Warrant.

SECTION 1. EXERCISE.

1.1 Method of Exercise. Holder may at any time and from time to time exercise this Warrant, in whole or in part, by delivering to the Company the original of this Warrant together with a duly executed Notice of Exercise in substantially the form attached hereto as Appendix 1 and, unless Holder is exercising this Warrant pursuant to a cashless exercise set forth in Section 1.2, a check, wire transfer of same-day funds (to an account designated by the Company), or other form of payment acceptable to the Company for the aggregate Warrant Price for the Shares (or other security issuable upon the exercise hereof) being purchased.

1.2 Cashless Exercise. On any exercise of this Warrant (or upon a deemed exercise pursuant to this Section in accordance with the terms of Section 1.6 or 5.1(b)), in lieu of payment of the aggregate Warrant Price in the manner as specified in Section 1.1 above, but otherwise in accordance with the requirements of Section 1.1, Holder may elect to receive Shares (or such other securities) equal to the value of this Warrant, or portion hereof as to which this Warrant is being exercised. Thereupon, the Company shall issue to the Holder such number of fully paid and non-assessable Shares (or other securities) as are computed using the following formula:

$$X = Y(A-B)/A$$

where:

X = the number of Shares (or other securities) to be issued to the Holder;

Y = the number of Shares (or other securities) with respect to which this Warrant is being exercised (inclusive of the Shares (or other securities) surrendered to the Company in payment of the aggregate Warrant Price);

A = the Fair Market Value (as determined pursuant to Section 1.3 below) of one Share (or other security); and

B = the Warrant Price.

1.3 Fair Market Value. If the Company's common stock (or other securities issuable upon the exercise hereof) is then traded or quoted on a nationally recognized securities exchange, inter-dealer quotation system or over-the-counter market (a "**Trading Market**") and the Class is common stock (or such other securities issuable upon the exercise hereof), the fair market value of a Share (or such other securities) shall be the average of the closing price or sale price of a share of common stock (or such other securities) reported for the three (3) Business Days immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company. If the Company's common stock (or other securities issuable upon the exercise hereof) is then traded in a Trading Market and the Class is a series of the Company's convertible preferred stock (or other securities convertible into the Company's common stock or such other securities issuable upon the exercise hereof), the fair market value of a Share (or such other security) shall be the average of the closing price or last sale price of a share of the Company's common stock (or such other security) reported for the three (3) Business Days immediately before the date on which Holder delivers this Warrant together with its Notice of Exercise to the Company multiplied by the number of shares of the Company's common stock (or such other security) into which a Share (or such other security) is then convertible. If the Company's common stock (or other securities issuable upon the exercise hereof) is not traded in a Trading Market, the Board of Directors of the Company shall determine the fair market value of a Share (or such other security) in its reasonable good faith judgment.

1.4 Delivery of Certificate and New Warrant. Within a reasonable time after Holder exercises this Warrant in the manner set forth in Section 1.1 or 1.2 above, the Company shall deliver to Holder a certificate representing the Shares (or other security issuable upon the exercise hereof) issued to Holder upon such exercise and, if this Warrant has not been fully exercised and has not expired, a new warrant of like tenor representing the Shares (or other securities) not so acquired.

1.5 Replacement of Warrant. On receipt of evidence reasonably satisfactory to the Company of the loss, theft, destruction or mutilation of this Warrant and, in the case of loss, theft or destruction, on delivery of an indemnity agreement reasonably satisfactory in form, substance and amount to the Company or, in the case of mutilation, on surrender of this Warrant to the Company for cancellation, the Company shall, within a reasonable time, execute and deliver to Holder, in lieu of this Warrant, a new warrant of like tenor and amount.

1.6 Treatment of Warrant Upon Acquisition of Company.

(a) Acquisition. For the purpose of this Warrant, "**Acquisition**" means any transaction or series of related transactions involving: (i) the sale, lease, exclusive license, or other disposition of all or substantially all of the assets of the Company (ii) any merger or consolidation of the Company into or with another person or entity (other than a merger or consolidation effected exclusively to change the Company's domicile), or any other corporate reorganization, in which the stockholders of the Company in their capacity as such immediately prior to such merger, consolidation or reorganization, own less than a majority of the Company's (or the surviving or successor entity's) outstanding voting power immediately after such merger, consolidation or reorganization (or, if such Company stockholders beneficially own a majority of the outstanding voting power of the surviving or successor entity as of immediately after such merger, consolidation or reorganization, such surviving or successor entity is not the Company); or (iii) any sale or other transfer by the stockholders of the Company of shares representing at least a majority of the Company's then-total outstanding combined voting power.

(b) Treatment of Warrant at Acquisition. In the event of an Acquisition in which the consideration to be received by the Company's stockholders consists solely of cash, solely of Marketable Securities or a combination of cash and Marketable Securities (a "**Cash/Public Acquisition**"), either (i) Holder shall exercise this Warrant pursuant to Section 1.1 and/or 1.2 and such exercise will be deemed effective immediately prior to and contingent upon the consummation of such Acquisition or (ii) if Holder elects not to exercise the Warrant, this Warrant will expire immediately prior to the consummation of such Acquisition.

(c) The Company shall provide Holder with written notice of a pending Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Cash/Public Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of the proposed Cash/Public Acquisition. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall promptly notify the Holder of the number of Shares (or such other securities) issued upon such exercise to the Holder and Holder shall be deemed to have restated each of the representations and warranties in Section 4 of the Warrant as the date thereof. In the event the Company does not provide such notice, then if, immediately prior to the Cash/Public Acquisition, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above would be less than or equal to the Warrant Price in effect on such date, then the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares (or other security issuable upon the exercise hereof) issuable upon exercise of the unexercised portion of this Warrant as if such Shares (or other securities) were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(d) The Company shall provide Holder with written notice of a pending Acquisition other than a Cash/Public Acquisition (together with such reasonable information as Holder may reasonably require regarding the treatment of this Warrant in connection with such contemplated Acquisition giving rise to such notice), which is to be delivered to Holder not less than seven (7) Business Days prior to the closing of such proposed Acquisition. Upon the closing of any Acquisition other than a Cash/Public Acquisition defined above, the acquiring, surviving or successor entity shall assume the obligations of this Warrant, and this Warrant shall thereafter be exercisable for the same securities and/or other property as would have been paid for the Shares (or other security issuable upon the exercise hereof) issuable upon exercise of the unexercised portion of this Warrant as if such Shares (or other securities) were outstanding on and as of the closing of such Acquisition, subject to further adjustment from time to time in accordance with the provisions of this Warrant.

(e) As used in this Warrant, "**Marketable Securities**" means securities meeting all of the following requirements: (i) the issuer thereof is then subject to the reporting requirements of Section 13 or Section 15(d) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and is then current in its filing of all required reports and other information under the Act and the Exchange Act; (ii) the class and series of shares or other security of the issuer that would be received by Holder in connection with the Acquisition were Holder to exercise this Warrant on or prior to the closing thereof is then traded in Trading Market, and (iii) Holder would be able to publicly re-sell, within six (6) months following the closing of such Acquisition, all of the issuer's shares and/or other securities that would be received by Holder in such Acquisition were Holder to exercise this Warrant in full on or prior to the closing of such Acquisition.

SECTION 2. ADJUSTMENTS TO THE SHARES AND WARRANT PRICE.

2.1 Stock Dividends, Splits, Etc. If the Company declares or pays a dividend or distribution on the outstanding shares of the Class payable in common stock or other securities or property (other than cash), then upon exercise of this Warrant, for each Share acquired, Holder shall receive, without additional cost to Holder, the total number and kind of securities and property (other than cash) which Holder would have received had Holder owned the Shares of record as of the date the dividend or distribution occurred. If the Company subdivides the outstanding shares of the Class by reclassification or otherwise into a greater number of shares, the number of Shares purchasable hereunder shall be proportionately increased and the Warrant Price shall be proportionately decreased. If the outstanding shares of the Class are combined or consolidated, by reclassification or otherwise, into a lesser number of shares, the Warrant Price shall be proportionately increased and the number of Shares shall be proportionately decreased.

2.2 Reclassification, Exchange, Combinations or Substitution. Upon any event whereby all of the outstanding shares of the Class are reclassified, exchanged, combined, substituted, or replaced for, into, with or by Company securities of a different class and/or series, then from and after the consummation of such event, this Warrant will be exercisable for the number, class and series of Company securities that Holder would have received had the Shares been outstanding on and as of the consummation of such event, and subject to further adjustment thereafter from time to time in accordance with the provisions of this Warrant. The provisions of this Section 2.2 shall similarly apply to successive reclassifications, exchanges, combinations substitutions, replacements or other similar events.

2.3 No Fractional Share. No fractional Share (or other security issuable upon the exercise hereof) shall be issuable upon exercise of this Warrant and the number of Shares (or other securities) to be issued shall be rounded down to the nearest whole Share (or other security). If a fractional Share (or other security) interest arises upon any exercise of the Warrant, the Company shall eliminate such fractional Share (or other security) interest by paying Holder in cash the amount computed by multiplying the fractional interest by (i) the fair market value (as determined in accordance with Section 1.3 above) of a full Share (or other security), less (ii) the then-effective Warrant Price.

2.4 Notice/Certificate as to Adjustments. Upon each adjustment of the Warrant Price, Class and/or number of Shares (or other security issuable upon the exercise hereof), the Company, at the Company's expense, shall notify Holder in writing within a reasonable time setting forth the adjustments to the Warrant Price, Class and/or number of Shares (or other securities), the computation thereof and facts upon which such adjustment is based. The Company shall, upon written request from Holder, furnish Holder with a certificate of its Chief Financial Officer, including computations of such adjustment and the Warrant Price, Class and number of Shares in effect upon the date of such adjustment.

SECTION 3. REPRESENTATIONS AND COVENANTS OF THE COMPANY.

3.1 Representations and Warranties. The Company represents and warrants to, and agrees with, the Holder as follows: all Shares (or other security issuable upon the exercise hereof) which may be issued upon the exercise of this Warrant, shall, upon issuance, be duly authorized, validly issued, fully paid and non-assessable, and free of any liens and encumbrances except for restrictions on transfer provided for herein or under applicable federal and state securities laws. The Company covenants that it shall at all times cause to be reserved and kept available out of its authorized and unissued capital stock such number of shares of the Class (or other security issuable upon the exercise hereof) as will be sufficient to permit the exercise in full of this Warrant.

3.2 Notice of Certain Events. If the Company proposes at any time to:

(a) declare any dividend or distribution upon the outstanding shares of the Class or common stock, whether in cash, property, stock, or other securities and whether or not a regular cash dividend;

(b) offer for subscription or sale pro rata to the holders of the outstanding shares of the Class any additional shares of any class or series of the Company's stock (other than pursuant to contractual pre-emptive rights);

(c) effect any reclassification, exchange, combination, substitution, reorganization or recapitalization of the outstanding shares of the Class; or

(d) effect an Acquisition or to liquidate, dissolve or wind up;

then, in connection with each such event, the Company shall give Holder:

(1) at least seven (7) Business Days prior written notice of the date on which a record will be taken for such dividend, distribution, or subscription rights (and specifying the date on which the holders of outstanding shares of the Class will be entitled thereto) or for determining rights to vote, if any, in respect of the matters referred to in (a) and (b) above; and

(2) in the case of the matters referred to in (c) and (d) above at least seven (7) Business Days prior written notice of the date when the same will take place (and specifying the date on which the holders of outstanding shares of the Class will be entitled to exchange their shares for the securities or other property deliverable upon the occurrence of such event).

Reference is made to Section 1.6(c) whereby this Warrant will be deemed to be exercised pursuant to Section 1.2 hereof if the Company does not give written notice to Holder of a Cash/Public Acquisition as required by the terms hereof. Company will also provide information requested by Holder that is reasonably necessary to enable Holder to comply with Holder's accounting or reporting requirements.

SECTION 4. REPRESENTATIONS, WARRANTIES OF THE HOLDER.

The Holder represents and warrants to the Company as follows:

4.1 Purchase for Own Account. This Warrant and the securities to be acquired upon exercise of this Warrant by Holder are being acquired for investment for Holder's account, not as a nominee or agent, and not with a view to the public resale or distribution within the meaning of the Act. Holder also represents that it has not been formed for the specific purpose of acquiring this Warrant or the Shares (or other security issuable upon the exercise hereof).

4.2 Disclosure of Information. Holder is aware of the Company's business affairs and financial condition and has received or has had full access to all the information it considers necessary or appropriate to make an informed investment decision with respect to the acquisition of this Warrant and its underlying securities. Holder further has had an opportunity to ask questions and receive answers from the Company regarding the terms and conditions of the offering of this Warrant and its underlying securities and to obtain additional information (to the extent the Company possessed such information or could acquire it without unreasonable effort or expense) necessary to verify any information furnished to Holder or to which Holder has access.

4.3 Investment Experience. Holder understands that the purchase of this Warrant and its underlying securities involves substantial risk. Holder has experience as an investor in securities of companies in the development stage and acknowledges that Holder can bear the economic risk of such Holder's investment in this Warrant and its underlying securities and has such knowledge and experience in financial or business matters that Holder is capable of evaluating the merits and risks of its investment in this Warrant and its underlying securities and/or has a preexisting personal or business relationship with the Company and certain of its officers, directors or controlling persons of a nature and duration that enables Holder to be aware of the character, business acumen and financial circumstances of such persons.

4.4 Accredited Investor Status. Holder is an "accredited investor" within the meaning of Regulation D promulgated under the Act.

4.5 The Act. Holder understands that this Warrant and the Shares (or other securities) issuable upon exercise hereof have not been registered under the Act in reliance upon a specific exemption therefrom, which exemption depends upon, among other things, the bona fide nature of the Holder's investment intent as expressed herein. Holder understands that this Warrant and the Shares (or other securities) issued upon any exercise hereof must be held indefinitely unless subsequently registered under the Act and qualified under applicable state securities laws, or unless exemption from such registration and qualification are otherwise available. Holder is aware of the provisions of Rule 144 promulgated under the Act.

4.6 No Stockholder Rights. Except as otherwise expressly set forth herein (including with respect to stock dividends in Section 2.1), Holder, in its capacity as the holder of this Warrant, shall not be entitled to vote or receive dividends, nor shall anything contained herein be construed to confer upon the Holder, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to receive notice of meetings, or to receive subscription rights, until this Warrant shall have been exercised.

SECTION 5. MISCELLANEOUS.

5.1 Term; Automatic Cashless Exercise Upon Expiration.

(a) Term. Subject to the provisions of Section 1.6 above, this Warrant is exercisable in whole or in part at any time and from time to time on or before 6:00 PM, Eastern time, on the Expiration Date and shall be void thereafter.

(b) Automatic Cashless Exercise upon Expiration. In the event that, upon the Expiration Date, the fair market value of one Share (or other security issuable upon the exercise hereof) as determined in accordance with Section 1.3 above is greater than the Warrant Price in effect on such date, then this Warrant shall automatically be deemed on and as of such date to be exercised pursuant to Section 1.2 above as to all Shares (or such other securities) for which it shall not previously have been exercised, and the Company shall, within a reasonable time, deliver a certificate representing the Shares (or such other securities) issued upon such exercise to Holder.

5.2 Legends. Each certificate evidencing Shares (or other securities issuable upon the exercise hereof) shall be imprinted with a legend in substantially the following form:

> THE SHARES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "**ACT**"), OR THE SECURITIES LAWS OF ANY STATE AND, EXCEPT AS SET FORTH IN THAT CERTAIN WARRANT TO PURCHASE STOCK ISSUED BY THE ISSUER TO HORIZON TECHNOLOGY FINANCE CORPORATION DATED JUNE 27, 2012, MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS AND UNTIL REGISTERED UNDER SAID ACT AND LAWS OR, IN THE OPINION OF LEGAL COUNSEL IN FORM AND SUBSTANCE SATISFACTORY TO THE ISSUER, SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS EXEMPT FROM SUCH REGISTRATION.

5.3 Compliance with Securities Laws on Transfer. This Warrant and the Shares (or other securities) issued upon exercise of this Warrant may not be transferred or assigned in whole or in part except in compliance with applicable federal and state securities laws by the transferor and the transferee (including, without limitation, the delivery of investment representation letters and legal opinions reasonably satisfactory to the Company, as reasonably requested by the Company). The Company shall not require Holder to provide an opinion of counsel if the transfer is to an Affiliate (as defined under the Act) of Holder, provided that any such transferee is an "accredited investor" as defined in Regulation D promulgated under the Act. Additionally, the Company shall also not require an opinion of counsel if there is no material question as to the availability of Rule 144 promulgated under the Act.

5.4 Procedure. After receipt by Holder of the executed Warrant, Horizon may transfer all or part of this Warrant to one or more of Horizon's Affiliates (as defined under the Act; each, an "**Horizon Affiliate**"), by execution of an Assignment substantially in the form of Appendix 2. Subject to the provisions of Article 5.3 and upon providing the Company with written notice, Horizon, any such Horizon Affiliate and any subsequent Holder, may transfer all or part of this Warrant or the Shares issuable upon exercise of this Warrant to any transferee, provided, however, in connection with any such transfer, the Horizon Affiliate(s) or any subsequent Holder will give the Company notice of the portion of the Warrant being transferred with the name, address and taxpayer identification number of the transferee and Holder will surrender this Warrant to the Company for reissuance to the transferee(s) (and Holder if applicable).

5.5 Notices. All notices and other communications hereunder from the Company to the Holder, or vice versa, shall be deemed delivered and effective (i) when given personally, (ii) on the third (3rd) Business Day after being mailed by first-class registered or certified mail, postage prepaid, (iii) upon actual receipt if given by facsimile or electronic mail and such receipt is confirmed in writing by the recipient, or (iv) on the first Business Day following delivery to a reliable overnight courier service, courier fee prepaid, in any case at such address as may have been furnished to the Company or Holder, as the case may be, in writing by the Company or such Holder from time to time in accordance with the provisions of this Section 5.5. All notices to Holder shall be addressed as follows until the Company receives notice of a change of address in connection with a transfer or otherwise:

HORIZON TECHNOLOGY FINANCE CORPORATION
312 Farmington Avenue
Farmington, Connecticut 06032
Attn: Legal Department
Telephone: (860) 676-8657
Facsimile: (860) 676-8655
Email: jay@horizontechfinance.com

Notice to the Company shall be addressed as follows until Holder receives notice of a change in address:

CELSION CORPORATION
997 Lenox Drive, Suite 100
Lawrenceville, New Jersey 08648
Attn: Chief Financial Officer
Telephone: (609) 896-9100
Facsimile: (609) 896-2200
Email: gweaver@celsion.com

5.6 Waiver. This Warrant and any term hereof may be changed, waived, discharged or terminated (either generally or in a particular instance and either retroactively or prospectively) only by an instrument in writing signed by the party against which enforcement of such change, waiver, discharge or termination is sought.

5.7 Attorneys' Fees. In the event of any dispute between the parties concerning the terms and provisions of this Warrant, the party prevailing in such dispute shall be entitled to collect from the other party all costs incurred in such dispute, including reasonable attorneys' fees.

5.8 Counterparts; Facsimile/Electronic Signatures. This Warrant may be executed in counterparts, all of which together shall constitute one and the same agreement. Any signature page delivered electronically or by facsimile shall be binding to the same extent as an original signature page with regards to any agreement subject to the terms hereof or any amendment thereto.

5.9 Governing Law. This Warrant shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to its principles regarding conflicts of law.

5.10 Headings. The headings in this Warrant are for purposes of reference only and shall not limit or otherwise affect the meaning of any provision of this Warrant.

5.11 Business Days. "**Business Day**" is any day that is not a Saturday, Sunday or a day on which banks in the United States are required or authorized to be closed.

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IN WITNESS WHEREOF, the parties have caused this Warrant to Purchase Stock to be executed by their duly authorized representatives effective as of the Issue Date written above.

"COMPANY"

CELSION CORPORATION

By: _____

Name: _____
(Print)

Title: _____

"HOLDER"

HORIZON TECHNOLOGY FINANCE CORPORATION

By: _____

Name: _____
(Print)

Title: _____

[Signature Page to Warrant to Purchase Stock]

APPENDIX 1

NOTICE OF EXERCISE

4. The undersigned Holder hereby exercises its right purchase _____ shares of the Common Stock of CELSION CORPORATION (the "**Company**") in accordance with the attached Warrant To Purchase Stock (the "**Warrant**"), and tenders payment of the aggregate Warrant Price for such shares as follows:

[ ] check in the amount of $_____ payable to order of the Company enclosed herewith

[ ] Wire transfer in the amount of $_____ in immediately available funds to the Company's account

[ ] Cashless Exercise pursuant to Section 1.2 of the Warrant

[ ] Other (pursuant to the terms of Section 1.1 of the Warrant) [Describe] _____

5. Please issue a certificate or certificates representing the Shares (or other security issuable upon the exercise of the Warrant) in the name specified below:

_____

Holder's Name

_____

_____

(Address)

6. By its execution below and for the benefit of the Company, Holder hereby restates each of the representations and warranties in Section 4 of the Warrant as of the date hereof.

HOLDER:

_____

By: _____

Name: _____

Title: _____

Date: _____

APPENDIX 2

ASSIGNMENT

For value received, Horizon Technology Finance Corporation hereby sells, assigns and transfers unto

Name: [HORIZON TRANSFEREE]

Address: _____

Tax ID: _____

that certain Warrant to Purchase Stock issued by CELSION CORPORATION (the "**Company**"), on June 27, 2012 (the "**Warrant**") together with all rights, title and interest therein.

HORIZON TECHNOLOGY FINANCE CORPORATION

By: _____

Name: _____

Title: _____

Date: _____

By its execution below, and for the benefit of the Company, [HORIZON TRANSFEREE] makes each of the representations and warranties set forth in Article 4 of the Warrant and agrees to all other provisions of the Warrant as of the date hereof.

[HORIZON TRANSFEREE]

By: _____

Name: _____

Title: _____

***Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2

TECHNOLOGY DEVELOPMENT AGREEMENT

Contract Number: TD120504

THIS TECHNOLOGY DEVELOPMENT AGREEMENT (the "Agreement") is executed and effective as of May 7, 2012 (the "Effective Date"), by and between **CELSION CORPORATION** ("Celsion"), a corporation organized and existing under the laws of the State of Delaware, and **Zhejiang Hisun Pharmaceutical Co. Ltd.** ("Hisun"), a corporation organized and existing under the laws of China, with offices at 46 Waisha Road, Jiaojiang District, Taizhou City, China and **Hisun Pharmaceutical USA Inc.**, a Delaware corporation, having a place of business located at 212 Carnegie Center, Suite 302, Princeton, New Jersey 08540-6236, in connection with Section 17.16 ("Hisun USA"). Celsion and Hisun are sometimes referred to herein individually as a "Party" and collectively as "Parties".

RECITALS

WHEREAS, subject to the terms and conditions set forth in this Agreement, Celsion desires to have Hisun manufacture and supply certain pharmaceutical products for Celsion, and Hisun desires to manufacture and supply such products to Celsion.

NOW, THEREFORE, the Parties hereto, intending to be legally bound, hereby agree as follows:

ARTICLE 1

DEFINITIONS

For purposes of this Agreement, the following terms will have the meanings set forth below:

1.1 Capitalized terms not otherwise defined herein will have the meaning given to them in the Agreement.

1.2 **"Agreement"** shall mean this Agreement, as amended from time to time.

1.3 **"Applicable Laws"** shall mean all statutes, laws, regulations and rules issued by governmental authorities relative to the sourcing, development, manufacture, storage, packaging, supply, marketing, distribution or sale of the Product in effect from time to time during the Term.

1.4 **"Audit"** means a review and inspection of facilities, processes, procedures and documents as described in Section 5.3.2 of this Agreement.

1.5 **"Celsion Background IP"** means all confidential and proprietary information, documentation, data, inventions, processes, formulas, analyses, procedures, techniques, software, know-how, trade secrets, patent rights, (including all patents and patent applications, continuations, divisions, and provisional applications), drug substance stability data, impurity profiles, reference standards, and technical expertise that Celsion has provided or will provide to Hisun to assist Hisun in carrying out its obligations under this Agreement.

1.6 **"Celsion Indemnified Parties"** shall have the meaning set forth in Section 14.1.

1.7 **"Celsion Know-How"** means any technology, technical information, know-how and proprietary information, including without limitation, all biological, chemical, pharmacological, toxicological, clinical assay and other information, data, specifications, discoveries, inventions, improvements, processes, analytical methods, techniques, formulae and trade secrets, patentable or otherwise, related to the development, manufacture and supply of the Product.

1.8 **"Clinical Data"** shall have the meaning set forth in Section 2.3.2.

1.9 **"COA"** shall have the meaning set forth in Section 4.4.

1.10 **"Confidential Information"** shall have the meaning set forth in Section 10.1.

1.11 **"Commercially Reasonable Efforts"** shall mean the efforts and resources normally used by the relevant Party to carry out such activities in a sustained manner consistent with the efforts such Party uses for Products with similar market and profit potential and similar scientific, technical, developmental and regulatory risks based on conditions then prevailing.

1.12 **"Development Program"** shall have the meaning set forth in Section 2.2.1.

1.13 **"Disclosing Party"** shall have the meaning set forth in Section 10.3 hereof.

1.14 **"Disputed Product"** shall have the meaning set forth in Section 5.3(b).

1.15 **"Effective Date"** shall have the meaning set forth in the first paragraph of this Agreement.

1.16 **"FDCA"** means the Federal Food, Drug and Cosmetic Act (21 U.S.C. § 301 *et seq.)*, as may be amended from time to time, together with any rules and regulations promulgated thereunder, or its foreign equivalent.

1.17 **"FDA"** means the United States Food & Drug Administration.

1.18 **"Forecast"** shall have the meaning set forth in Section 4.3.

1.19 **"GMP"** means the then-current good manufacturing practices required by the SFDA for the manufacture and testing of pharmaceutical materials, and comparable laws or regulations applicable to the manufacture and testing of pharmaceutical materials imposed by any regulatory authority in the Territory, as the foregoing may be updated from time to time, including without limitation, the guidelines and principles detailed in (a) the United States Current Good Manufacturing Practices (21 CFR Parts 200, 211 and 600), (b) the "Rules governing Medicinal Product in the European Community – Volume IV Good Manufacturing Practice for Medicinal Products", (c) the "International Conference on Harmonization ("ICH"), Guidance for Industry: Q7A Good Manufacturing Practice Guide for Active Pharmaceutical Ingredients, and (d) the foreign equivalents thereof.

1.20 **"Hisun Background IP"** means all confidential and proprietary information, documentation, data, inventions, processes, formulas, analyses, procedures, techniques, software, know-how, trade secrets, patent rights, (including all patents and patent applications, continuations, divisions, and provisional applications), [drug substance stability data, impurity profiles, reference standards, and technical expertise that Hisun has provided or will provide to Celsion to assist Celsion in carrying out its obligations under this Agreement.

1.21 **"Hisun Indemnified Parties"** shall have the meaning set forth in Section 14.2.

1.22 **"IND"** means any investigational new drug application that is required to be filed with the FDA, SFDA or any other regulatory authority in the Territory before beginning clinical testing of the Product in human subjects. In China, IND may also be referred to as "CTA" or Clinical Trial Approval.

1.23 **"Initial Forecast"** shall have the meaning set forth in Section 4.2.

1.24 **"Joint Steering Committee"** shall have the meaning set forth in Section 2.4(b) hereof.

1.25 **"Latent Defect"** means a defect that causes the Product to fail to conform to the Specifications and that was not discoverable upon reasonable inspection and testing.

1.26 **"Manufacturing Sites"** shall have the meaning set forth in Section 3.1.

1.27 **"NDA"** means a new drug application or supplemental new drug application or any amendments thereto, submitted to the FDA in the United States, or the SFDA Recommend defining Chinese NDA separately for final document.

1.26 **"Party"** or **"Parties"** shall have the meaning set forth in the first paragraph of this Agreement.

1.28 **"Product"** means any heat sensitive product containing any isomer, metabolite, salt, ester, dimer, trimer or other complex, prodrug, polymorph, hydrate, semihydrate, degradant or formulation of doxorubicin encapsulated in heat sensitive liposomes, as further described in IND #66,827, and that may be covered by the Celsion Patent Rights. "Product" shall also include the combination of the foregoing with (a) one or more therapeutically active ingredients and/or (b) equipment for use with one or more of the foregoing.

1.29 **"Project Team"** shall have the meaning set forth in Section 2.2.1.

1.30 **"Purchase Price"** shall have the meaning set forth in Section 3.1.

1.31 **"Receiving Party"** shall have the meaning set forth in Section 10.3 hereof.

1.32 **"Regulatory Approvals"** means all approvals (including, without limitation, INDs, CTAs, NDAs, marketing authorizations and supplements and amendments thereto), licenses, registrations or authorizations of any national, supra-national, regional, state or local regulatory agency, department, bureau, commission, council or other governmental entity necessary for the development, importation, manufacture, storage, shipment or sale of the Product in a given regulatory jurisdiction in the Territory.

1.33 **"Regulatory Authority"** means any material, federal, state or local governmental or quasi-governmental authority, agency, department, or instrumentality, responsible for granting Regulatory Approvals for the Product in a given regulatory jurisdiction, including without limitation, the FDA and the SFDA.

1.34 **"Restricted Field of Use"** shall have the meaning set forth in Section 12.1.

1.35 **"SFDA"** means the State Food and Drug Administration of the People's Republic of China.

1.36 **"Specifications"** means the specifications for the Product, a preliminary draft of which is set forth in **Schedule 1.36** attached hereto, and a final version of which shall be attached after SFDA approval of the Product, as the same may be modified thereafter upon mutual agreement of the Parties.

1.37 **"Term"** shall have the meaning set forth in Section 9.1.

1.38 **"Territory"** shall mean the People's Republic of China, Hong Kong and Macao.

ARTICLE 2

PRODUCT DEVELOPMENT ACTIVITIES

2.1 **License**. Subject to terms and conditions of this Agreement, Celsion hereby grants to Hisun, a non-exclusive, royalty-free license to develop, manufacture and supply the Product to Celsion in the Territory. Hisun shall not enter into any sublicenses hereunder without the prior written consent of Celsion, which consent shall be in Celsion's sole and absolute discretion.

2.2 **Development Program and Funding**.

2.2.1 **Development Program**. Upon execution of this Agreement, the Parties shall establish a project team comprised of representatives of both companies (the "Project Team") to develop and validate the program, processes and the technical and regulatory support and services necessary for the production, manufacture, storage, packaging and shipment of the Product (the "Development Program"). The Project Team leaders from Hisun shall be [***], and [***] shall facilitate communication between the Hisun and Celsion team members. [***], or another executive designated by Celsion, shall serve as the team leader of the Project Team. The Development Program shall include the preparation of a written comprehensive plan for the development of the Product that adequately reflects Celsion's requirements regarding Product Specifications, process development and manufacturing scale-up activities, quality control, sourcing, handling and storage of raw materials, preparation of test and registration batches and regulatory compliance, relevant timelines for and the estimated number of patients to be enrolled in the clinical studies, as well as the specific technical, development and regulatory activities that each Party is responsible for. The initial Development Program for production of Product in the Territory shall be developed by the Parties within 12 months of the Effective Date and may be updated and amended from time to time upon mutual agreement of the Parties. Celsion shall have the ultimate authority to approve all aspects of the Development Program. In implementing the Development Program, each Party agrees to make available such key personnel as may be necessary or appropriate to liaise and coordinate on a regular basis.

2.2.2 **Development Funding**. Hisun shall be solely responsible for providing all of the technical and regulatory support services outlined herein and for funding the following mutually agreed costs related to the development and manufacture of the Product in the Territory:

(a) The cost of all technical transfer, registrational and bioequivalence studies, technical transfer costs and Celsion consultative support costs (including all reasonable travel, room and board expenses incurred by Celsion personnel in providing such assistance), including "out of pocket' expenses incurred by Celsion. For clarity, Celsion expenses do not include reimbursement for Celsion employee salaries.

(b) Beyond direct costs for development, Hisun shall be solely responsible for the purchase of any equipment necessary for the manufacture of the Product including capital equipment and any additional facility, construction, expansion, retrofit, or equipment acquisition or leasing costs necessary to support capacity requirements for the supply of the Product hereunder.

2.2.3 **Consulting and IP Fees**. In exchange for (i) all of the support and services provided by Hisun to Celsion hereunder during the development phase and (ii) Hisun's assignment to Celsion of the improvements to the Celsion Background IP pursuant to Section 15.1.3, at any time on or prior to the fourth year anniversary of the Effective Date (unless an extension has been granted by Hisun), Celsion shall pay to Hisun a fee in the amount that is sum of (A) the aggregate amount of total development costs set forth in Section 2.2.2 that have been incurred pursuant to the Development Plan (the "Development Cost") and (B) an additional amount that accrues [***] on the average annual Development Cost, commencing on the successful completion of three registration batches of the Product.

2.3 **Studies Necessary for Regulatory Approval**.

2.3.1 **Conduct of Studies**. Hisun shall be responsible for conducting studies required by the SFDA and other Regulatory Authorities in the Territory for registrational approval of the Product for manufacture and sale in the Territory, including the completion of any technical transfer or bioequivalence studies or protocols. These may include non-clinical and clinical studies. Celsion agrees to provide all technical assistance as may be required to support the transfer of the Celsion Know-How to Hisun on a timely basis for use by Hisun solely for the purposes of fulfilling its obligations under this Agreement.

2.3.2 **Ownership and Use of Clinical and Non-Clinical Data**. Celsion shall be the sole owner of all data and information generated by and in connection with the clinical and other studies (the "***Clinical Data***") performed hereunder relative to the registrational approval, manufacturing and sale and marketing/promotion of the Product in the Territory. Hisun shall have the right during the Term to use all such Clinical Data in connection with its performance of its obligations under this Agreement.

2.4 **Regulatory Submission**.

(a) Regulatory Approvals. Hisun shall be responsible for preparing and submitting all regulatory submissions and filings, and for obtaining and maintaining all approvals from Regulatory Authorities necessary to fulfill its obligations hereunder. Hisun shall keep Celsion regularly apprised of the status of all ongoing discussions with Regulatory Authorities. Hisun also shall provide Celsion with adequate notice of all meetings and conferences with Regulatory Authorities, so that Celsion can have a representative participate or attend any such meetings or conferences if it so elects. Celsion shall have the ultimate oversight authority and responsibility for all regulatory activities relating to the manufacture and sale of the Product in the Territory, and also shall have the ultimate authority and responsibility for obtaining and maintaining all Regulatory Approvals and authorizations in the Territory, including without limitation, all regulatory, administrative, and third party payor-related activities relating to pricing and reimbursement of the Product in the Territory. Celsion agrees to provide all such regulatory support, cooperation and assistance to Hisun as may be necessary to secure all Regulatory Approvals necessary for the manufacture and sale of the Product in the Territory. All Regulatory Approvals shall be obtained in the name of Celsion unless legally required otherwise, in which case Hisun may hold such Regulatory Approval in trust for Celsion, and upon termination of this Agreement, Hisun shall transfer such Regulatory Approval to Celsion, and Celsion shall reimburse Hisun for all of its out-of-pocket expenses related to such transfer. Hisun shall make all relevant documents, data and information necessary for any Regulatory Approvals relating to the Product or its manufacturing processes available at all times to Celsion to facilitate regulatory filings and approvals, including approvals by the FDA and the European Union regulatory bodies.

(b) Joint Steering Committee. All major decisions with respect to the Regulatory Approvals shall be made through the majority vote of a joint steering committee ("***Joint Steering Committee***" or "***JSC***"). The JSC shall consist of four (4) members, two (2) representatives from each of Celsion and Hisun, each of whom shall have experience and seniority sufficient to enable him or her to make decisions on behalf of the party he or she represents. In the event of a deadlocked vote of the JSC, the issue shall be brought to the attention of the CEOs of both Celsion and Hisun, who shall engage in good faith commercially reasonable discussions and efforts to mutually agree on a resolution of the deadlock issue. If the CEOs are unable to resolve such deadlock issue within ten (10) business days, Celsion shall then have the ultimate authority and deciding vote with respect to the deadlock issue. Promptly upon completion of the development phase for the Product, Celsion and Hisun shall each appoint its representatives to the JSC. Celsion and Hisun may each change its JSC representatives at any time by giving written notice to the other. The JSC shall meet (in person or otherwise) within ninety (90) days after completion of the Development Program and, thereafter, as agreed by the parties, but no less than once per calendar quarter during the twelve (12) months following the Effective Date, and at least twice per year thereafter during Term. Additional Representatives of a party may attend meetings of the JSC on an ad hoc invited basis as appropriate.

(c) JSC Administration. Celsion shall appoint a chairperson. The chairperson shall be responsible for calling meetings of the JSC and for leading the meetings. A member from Hisun shall serve as secretary of that meeting. The secretary of the meeting shall prepare and distribute to all members of the JSC draft minutes of the meeting within thirty (30) days following the meeting to allow adequate review and comment. Such minutes shall provide a description in reasonable detail of the discussions held at the meeting and a list of any actions, decisions or determinations approved by the JSC. Minutes of each JSC meeting shall be approved or disapproved, and revised as necessary, within thirty (30) days of each such meeting. Final minutes of each meeting shall be distributed to the members of the JSC by the chairperson

ARTICLE 3

PAYMENTS; PURCHASE AND PRICE OF PRODUCT

3.1 **Purchase of Product; Product Pricing.** Subject to Sections 4.1, 4.2 and 4.4 below, upon approval of the Product by the SFDA and at all times thereafter during the Term of this Agreement, Hisun agrees to manufacture and supply to Celsion, its requirements of Product for sale in the Territory, as requested by Celsion from time to time. The amount of Product requested by Celsion will [***]. Celsion will pay the purchase price for the Product set forth on **Schedule 3.1A** attached hereto (the "Purchase Price"). **Schedule 3.1B** lists Hisun's and its Affiliates' sites where Product will be manufactured (the "Manufacturing Sites"). Hisun may not change any of the Manufacturing Sites it manufactures or supplies the Product from, or subcontract any of its obligations hereunder, without the prior written consent of Celsion, which consent shall be in Celsion's sole and absolute discretion.

3.2 **Celsion Right to Use Alternative Supplier**. In the event that Celsion reasonably determines at any time that Hisun will be unable to meet the requirements for Product deliveries in either quantity or in the timeframe requested by Celsion, Celsion shall be permitted to source the amount of any such Product shortfall [***] from alternative suppliers.

3.3 **Terms of Payment.** Celsion agrees to pay all invoices within [***] from the date of the applicable invoice. All payments to Hisun will be made by Federal Reserve wire transfer to an account designated by Hisun. All payments made under this Agreement will be made in **United States Dollars.** [***]

ARTICLE 4

PURCHASE OF PRODUCT; FORECASTS

4.1 **Minimum Purchase Requirements.** Assuming that Hisun has sufficient capacity to fulfill its obligations under this Agreement, and that it has otherwise complied with all of its obligations hereunder (including all Product quality and quality control testing obligations hereunder), Celsion will purchase from Hisun, [***]. For purpose of determining the date upon which Product is purchased pursuant to the terms of this Agreement, the date of "purchase" of Product means the date upon which Hisun is obligated to deliver such Product to Celsion pursuant to this Agreement. In the event that Hisun is unable to meet the requirements for Product deliveries in either quantity or in the timeframe requested or the Product delivered failed to meet the Specifications, Celsion shall be permitted to source the amount of any such Product shortfall [***] from alternative suppliers.

4.2 **Forecasts**. Upon receipt of the Regulatory Approval for manufacturing and marketing of the Product by the relevant Regulatory Authority for each jurisdiction in the Territory, and on or before the first day of each Calendar Quarter thereafter, Celsion will provide a good faith estimate of Celsion's expected requirement of Product for the following Calendar Quarter and the remaining period of the calendar year (the "Forecast") in the relevant jurisdiction in the Territory. The initial Forecast is attached hereto as Schedule 4.2 (the "Initial Forecast"). The Parties agree that the Forecasts are for general planning purposes only, however the first two quarter of each Forecast binding on Celsion. [***] If Celsion reasonably determines that Hisun will be unable to satisfy this additional demand for Product, Celsion shall be permitted to source the amount of any such Product shortfall [***] from alternative suppliers. Any amounts sourced from another supplier will not be used in calculating the Territory forecasted sales amount for purposes of calculating the amount of Product sourced through Hisun hereunder.

4.3 **Purchase Orders.** Celsion will purchase Product solely by the issuance of an electronic or written purchase orders to Hisun. Such purchase orders must be for whole lot size quantities of Product as identified in Schedule 4.3A attached hereto. Celsion will submit each such written purchase order to Hisun [***] in advance of the date specified in each purchase order by which delivery of the Product is required. Each purchase order will include the information listed in Schedule 4.3B attached hereto. Notwithstanding the foregoing, Hisun will use commercially reasonable efforts (but will not be obligated) to meet any request of Celsion for delivery of Product in less than (90) days, and further, Hisun will attempt, but will not be obligated, to accommodate any changes requested by Celsion in delivery schedules for Product following Hisun's receipt of purchase orders from Celsion. Upon receipt and acceptance of each purchase order by Hisun hereunder, Hisun will supply the Product in such quantities and by the delivery dates specified in such purchase order, unless otherwise mutually agreed to in writing by the Parties. Upon delivery to Celsion, the expiration date on each unit of Product shall be at least [***] from the date of delivery.

4.4 **Shipment of Product.** Shipment of Product will be to the distribution center(s) designated by Celsion in China. Hisun will not make direct shipments to final customers. Celsion will select and pay the carrier to be used. Product will be shipped, per Specification, FOB Shanghai, China, freight class, Class 70 (Class of Commodity for Food and Pharmaceutical Product), or as may otherwise be required pursuant to Applicable Laws and Product storage specifications. All Product shipped by Hisun shall be clearly marked for delivery to the Celsion or customer locations as Celsion may designate. Hisun shall ship all Product in accordance with the instructions specified in Celsion's purchase order. A Certificate of Analysis ("COA"), a form of which is attached hereto as Schedule 4.4, specific to the testing of each lot/batch, must accompany each shipment. Hisun shall maintain a copy of each such COA in compliance with GMP. Hisun shall provide a duplicate copy of the COA, a commercial invoice and an airway bill with each shipment. Title and risk of loss or damage to the Product will remain with Hisun until it reaches the distribution center designated by Celsion in Shanghai, China, at which time title to the Product will rest in, and risk of loss or damage to the Product will pass to, Celsion FOB Shanghai, China.

4.5 **Testing and Rejection of Delivered Product.**

4.5.1 **Non-Conforming Product.** Celsion shall have the right, at its sole discretion and at its cost and expense, to inspect and test any and all Product delivered to it hereunder to determine whether such Product complies with the Specifications. Compliance verification may include but is not limited to on-site inspections, environmental monitoring program reviews, employee training and methods analysis, batch record reviews, controlled document maintenance assessment, analytical and physical analysis, among other commonly used means to assess Product Quality. Celsion will use validated methods to test the Product. Celsion will notify Hisun in writing [***] after delivery thereof if it rejects any Product delivered or to be delivered because such Product failed to meet the Specifications, quality practices (GMP), or does provide sufficient documented assurances of a Quality environment. If Celsion rejects any Product, Hisun and Celsion will conduct a joint investigation to determine the cause of the defect or system failure. In the event of a specification failure, Hisun shall have the right, at its request, to conduct its own tests on such rejected Product. Product not rejected within [***] will be deemed accepted and will constitute a waiver of any claims Celsion may have against Hisun with respect to payment for such shipment subject, however, to Celsion's right to reject any Product for Latent Defects discovered by Celsion and return such Product to Hisun with [***]of the identification of such Latent Defect by Celsion. Hisun will replace any properly rejected Product with Product which meets the Specifications within a commercially reasonable time and will deliver such replacement Product to Celsion, at Hisun's sole cost and expense. In addition, Hisun will, at Hisun's sole cost and expense, arrange for all such rejected Product to be picked up promptly and, where applicable, destroyed in accordance with all Applicable Laws. Celsion will have no responsibility to Hisun for the Purchase Price of such nonconforming Product, but will pay Hisun the Purchase Price for the replacement Product in accordance with Section 3.1 above; provided, however, that to the extent Celsion previously paid for Product it properly rejected in accordance with this Section 4.5.1, Celsion will receive a credit against the Purchase Price for the replacement Product. Product properly rejected in accordance with this Section 4.5 will not be applied to Celsion's purchase commitment set forth in Section 4.1, but replacement Product will be so applied.

4.5.2 **Disputed Product.** Notwithstanding Section 4.5 above, if following the joint investigation contemplated by Section 4.5, Celsion and Hisun disagree on whether any Product rejected by Celsion complies with the Specifications, or on the methods for or results of testing of any of such rejected Product, an independent laboratory which is acceptable to both Parties will test the Product in dispute ("Disputed Product") using the test methods set forth in the NDA, and any other applicable GMP test method used by Hisun at the time the Disputed Product was manufactured, which tests will be validated by such laboratory independently. If such laboratory finds that the Disputed Product meets the Specifications, Celsion will pay the fees of such laboratory related to such testing and will promptly pay for the Disputed Product. If such laboratory finds that the Disputed Product fails to meet the Specifications, Hisun will pay the fees of such laboratory related to such testing and will promptly replace the Disputed Product in accordance with the Section 4.5.1 above. Both Parties hereby agree to accept and be bound by the findings of such independent laboratory. Time is of the essence. Both Parties agree that the resolution of the dispute will result in Celsion being required to purchase product with less than [***] of shelf life

ARTICLE 5

MANUFACTURING AND QUALITY

5.1 **Manufacturing.** Hisun will manufacture, package, label, test, prepare for shipment and ship Product to Celsion from Hisun's facilities, at the times and in the quantities set forth by Celsion in a purchase order pursuant to Section 4.3. Hisun will maintain compliance with GMP, or equivalent, in the territories for which it supplies Product. Each Product that is shipped: (i) will be manufactured in accordance with GMP in effect at the time of manufacture, (ii) will not be adulterated or misbranded by Hisun within the meaning of the FDCA, (iii) will be manufactured, sold and shipped in compliance with all Applicable Laws, and (iv) upon delivery to Celsion, FOB Hisun's loading dock, will convey good title to such Product to Celsion and such conveyance will be free and clear of any liens, security interests, adverse claims or other encumbrances.

5.2 **Modifications.**

5.2.1 **Modification to Specifications.** Celsion will inform Hisun in writing as soon as practical of any proposed modification to the Specifications for the Product that Celsion desires to make from time to time for scientific or business reasons. With the exception of improvements to facilities and supporting infrastructure investments, any assets acquired by Hisun on Celsion's behalf pursuant to this Section 5.2 and paid for by Celsion will be maintained by Hisun in the normal course of business, and to the extent reasonably severable from Hisun's facility without damage or disruption to such facility, shall be returned to Celsion as soon as practicable after the termination or expiration of this Agreement.

5.2.2 Equipment purchased by Hisun pursuant to this Section 5.2 shall be maintained by Hisun in the normal course of business, and to the extent reasonably severable from Hisun's facility without damage or disruption to such facility, shall be purchased by and delivered to Celsion, at its sole option, as soon as practicable after the termination or expiration of this Agreement**.**

5.2.3 Equipment purchased for the purpose of increasing batch size per the agreed to volume – pricing schedule attached (Schedule 3.1A) shall be owned and paid for by Hisun and is subject to the provisions of Section 5.2.2 above

5.2.4 **Modification Required by Applicable Law or Regulatory Authorities.** Celsion will notify Hisun as soon as practical of any changes to any Specifications or procedures that are required by Applicable Law or any Regulatory Authority that could have an impact on Hisun's performance of its obligations under this Agreement. Any such changes will be deemed (and treated as) modifications proposed by Celsion under this Section 5.2; provided, however, that if Celsion is not willing to pay for such modification that is required by Applicable Laws as described in this Section 5.2, or Hisun is unable to implement such modification that is required by Applicable Laws after exercising Commercially Reasonable Efforts, Celsion may terminate this Agreement as of the earlier of (i) the date Applicable Laws require the implementation of such modification, or (ii) thirty (30) days after written notice from Celsion to Hisun. Every proposed modification will be treated separately.

5.2.5 **Other Modification Rules.** Hisun shall not make any change or modification to the manufacturing process, facility, equipment, system or Product Specifications (including Specifications of manufacturing, testing, packaging, labeling, storage conditions) without Celsion's prior written approval and Hisun shall be solely responsible all costs incurred in implementing the approved modifications. Hisun shall not be required to make a modification that is prohibited by Applicable Laws or Regulatory Authorities. Celsion will have the ultimate authority and responsibility for obtaining any and all necessary Regulatory Approvals from the SFDA for modifications to the Specifications and NDA and for reporting any modifications to the Specifications and the NDA to the SFDA as appropriate.

5.3 **Quality Control and Assurance; GMP Audit.** Hisun and Celsion will enter into a formal Quality Agreement as is required by most international regulatory agencies and is customary for the manufacture of commercial injectable (parenteral) drug preparations.

5.3.1 **Quality Control and Assurance.** Hisun will manufacture the Product in compliance with the Specifications. Hisun will perform ongoing quality control and quality assurance testing on the Product to be delivered to Celsion hereunder in accordance with the Specifications and GMP.

5.3.2 **Access to Hisun Facilities by Celsion Representatives.** Upon no less than forty-eight (48) hours written notice to Hisun and no more than twice annually during the Term, Hisun will permit Celsion to conduct an audit (the "Audit") of Hisun's facilities during regular business hours for the purpose of making quality control inspections to assure GMP compliance of the facilities used in the receiving, sampling, analyzing, manufacturing, storing, handling, packaging and shipping of Product. In addition, in the event of a rejection of Product by Celsion pursuant to Section 4.5, because of a failure of the Product to meet Specifications, then Celsion will have a right to conduct an Audit under the provisions of this Section 5.3.2 to determine to Celsion's reasonable satisfaction that the cause of the failure has been promptly and adequately rendered by Hisun. Any Celsion representatives will be advised of the confidentiality obligations of Article 10, below, and will follow such security and facility access procedures as are reasonably required by Hisun.

Hisun will provide Celsion with a written response to any written Audit observations provided by Celsion within five (5) days of Hisun's receipt thereof.

5.3.3 **Safety Procedures.** Hisun will be responsible for developing, adopting and enforcing safety procedures for the handling and production of Product by Hisun and the handling and disposal of all waste relating thereto. Such responsibilities will terminate as to the Product upon delivery thereof to Celsion's common carrier for delivery to Celsion.

5.4 **Records and Accounting by Hisun.** Hisun will, with respect to each lot of Product produced by it hereunder, for the longer of (i) any period required by Applicable Laws, or (ii) a period of three (3) year(s) after the expiry of the expiration date of such lot, keep accurate records of the manufacture and testing of each lot of the Product produced by it hereunder, including, without limitation, all such records which are required under Applicable Laws. Access to such records will be made available by Hisun to Celsion during normal business hours upon Celsion's reasonable written request.

ARTICLE 6

LABELING; TRADE DRESS; NON-CONFORMING PRODUCT

6.1 **Labeling, Trade Dress and Packaging.** The Product will be labeled, prepared and packed for shipment in compliance with GMP and all Applicable Laws. Celsion shall be responsible for creating and/or designing the Product packaging, labeling and instructions for use for any Product purchased from Hisun under this Agreement. Celsion, at its expense, will provide Hisun with an electronic graphics file for all new or revised printed packaging components to be used in the manufacture of Product. Such artwork will be implemented as soon as practicable after all applicable regulatory requirements with respect thereto have been met. The Parties contemplate that Celsion's name (or the name of an Affiliate of Celsion) will appear as the exclusive distributor of the Product and Hisun's name will appear as the manufacturer of the Product. Celsion will reimburse Hisun for any out-of-pocket costs associated with changing Celsion's labeling, trade dress and packaging work at the request of Celsion hereunder, unless required pursuant to any regulatory or legal requirements or requested by a Regulatory Authority.

6.2 **Lot Numbering.** Hisun's lot numbers will be affixed on the containers for the Product and on each shipping carton in accordance with Applicable Laws.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES OF HISUN

Hisun hereby represents and warrants to Celsion that, as of the Effective Date and at all times during the Term:

7.1 **Organization and Standing.** Hisun is a corporation duly organized, validly existing, and in good standing under the laws of China.

7.2 **Powers and Authority.** Hisun has all requisite corporate power and authority to execute and deliver this Agreement and the other agreements and instruments to be executed and delivered by it pursuant hereto to perform all of its obligations hereunder.

7.3 **Corporate Action; Binding Effect.** Hisun has duly and properly taken all action required by law, its organizational documents, or otherwise, to authorize the execution, delivery, and performance of this Agreement and the other instruments to be executed and delivered by it pursuant hereto and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Hisun and constitutes, and the other instruments contemplated hereby when duly executed and delivered by Hisun will constitute, legal, valid, and binding obligations of Hisun enforceable against it in accordance with its respective terms, except as enforcement may be affected by bankruptcy, insolvency, or other similar laws.

7.4 **No Conflict.** Neither the execution, delivery or performance by Hisun of this Agreement, nor the consummation of the transactions contemplated hereby, violate or conflict with the charter documents of Hisun, any material contract, agreement or instrument to which Hisun is a party or by which it or its properties are bound, or any judgment, decree, order or award of any court, governmental body or arbitrator by which Hisun is bound.

7.5 **Governmental Approval.** Except as set forth on Schedule 7.5, no consent, approval, waiver, order or authorization of, or registration, declaration or filing with, any Governmental or Regulatory Authority or any other Third Person is required in connection with the execution, delivery and performance of this Agreement, or any agreement or instrument contemplated by this Agreement, by Hisun or the performance by Hisun of its obligations contemplated hereby and thereby.

7.6 **Brokerage.** No broker, finder or similar agent has been employed by or on behalf of Hisun, and no Person with which Hisun has had any dealings or communications of any kind is entitled to any brokerage commission, finder's fee or any similar compensation, in connection with this Agreement or the transactions contemplated hereby.

7.7 **Product Specifications.** All Product delivered by Hisun to Celsion hereunder: (i) will conform to the Specifications then in effect, (ii) will be manufactured, stored, packaged and shipped in accordance with all applicable international, federal, state and local laws and regulations and GMP in effect at the time of manufacture, (iii) will not be adulterated or misbranded by Hisun within the meaning of the FDCA, and (iv) upon delivery to Celsion, FOB Hisun's loading dock, will convey good title to such Product to Celsion free and clear of any liens, security interests, adverse claims or other encumbrances.

7.8 **Shelf Life of Product**. Each lot of Product delivered to Celsion will at the time of delivery to the carrier have a shelf life of [***] and continue until the applicable expiration date to conform to the Specifications and be free from defects in materials and workmanship.

7.9 **Manufacturing Facilities and Processes**. The manufacturing facilities and process utilized by Hisun for the manufacture, storage, labeling and shipment of the Product will at all times during the Term of this Agreement, comply with all applicable FDA and SFDA regulations and GMP.

7.10 **Compliance with Applicable Laws**. Hisun shall comply with all Applicable Laws with respect to the development, production, manufacture, store age, packaging and shipment of Product within the Territory. Without limiting the generality or effect of the foregoing, Hisun shall perform its obligations under this Agreement and its other services in relation to the Product (including, development and manufacturing services) in compliance with all Laws relating to anti-bribery, anti-corruption, anti-money laundering, record keeping and internal control laws, including the U.S. Foreign Corrupt Practices Act.

7.11 **Infringement**. Hisun is not aware of any third party intellectual property that would be infringed by Hisun's exercise of the license granted to Hisun by Celsion hereunder. Hisun has not received any communication (verbal or otherwise) from any third party alleging that the Product or the manufacturing process used for the Product infringes any third party intellectual property rights.

7.12 **Not Debarred.** Hisun is not debarred and has not and will not use in any capacity the services of any Person debarred any Applicable Laws. If at any time this representation and warranty is no longer accurate, Hisun will immediately notify Celsion of such fact.

7.13 **Trademarks**. Hisun expressly acknowledges that it does not own or otherwise have any rights to any trademarks or trade names relative to the Product and hereby agrees that any trade names or trademarks used by Celsion relative to the Product are and shall remain at all times during the Term the sole and exclusive property of Celsion.

7.14 **Implied Warranties.** EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, HISUN MAKES NO REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, WITH RESPECT TO THE PRODUCT AND HISUN SPECIFICALLY DISCLAIMS ANY AND ALL IMPLIED OR STATUTORY WARRANTIES, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR WARRANTY OF FITNESS FOR A PARTICULAR PURPOSE.

ARTICLE 8

REPRESENTATIONS AND WARRANTIES OF CELSION

Celsion represents and warrants to Hisun that, as of the Effective Date and at all times during the Term:

8.1 **Organization and Standing.** Celsion is a corporation duly organized, validly existing, and in good standing under the laws of the State of Delaware.

8.2 **Power and Authority.** Celsion has all requisite corporate power and authority to execute, deliver, and perform this Agreement and the other agreements and instruments to be executed and delivered by it pursuant hereto and to consummate the transactions contemplated herein.

8.3 **Corporate Action; Binding Effect.** Celsion has duly and properly taken all action required by law, its organizational documents, or otherwise, to authorize the execution, delivery, and performance of this Agreement and the other instruments to be executed and delivered by it pursuant hereto and the consummation of the transactions contemplated hereby. This Agreement has been duly executed and delivered by Celsion and constitutes, and the other instruments contemplated hereby when duly executed and delivered by Celsion will constitute, legal, valid, and binding obligations of Celsion enforceable against it in accordance with its respective terms, except as enforcement may be affected by bankruptcy, insolvency, or other similar laws.

8.4 **No Conflict**. Neither the execution, delivery or performance by Celsion of this Agreement, nor the consummation of the transactions contemplated hereby, violate or conflict with the charter documents of Celsion, any material contract, agreement or instrument to which Celsion is a party or by which it or its properties are bound, or any judgment, decree, order or award of any court, governmental body or arbitrator by which Celsion is bound.

8.5 **Governmental Approval**. Except as set forth on Schedule 8.5, no consent, approval, waiver, order or authorization of, or registration, declaration or filing with, any governmental or Regulatory Authority or any other Third Person is required in connection with the execution, delivery and performance of this Agreement, or any agreement or instrument contemplated by this Agreement, by Celsion or the performance by Celsion of its obligations contemplated hereby and thereby.

8.6 **Brokerage.** No broker, finder or similar agent has been employed by or on behalf of Celsion, and no Person with which Celsion has had any dealings or communications of any kind is entitled to any brokerage commission, finder's fee or any similar compensation, in connection with this Agreement or the transactions contemplated hereby.

8.7 **Not Debarred.** Celsion is not debarred and has not and will not use in any capacity the services of any Person debarred under Applicable Laws. If at any time this representation and warranty is no longer accurate, Celsion will immediately notify Hisun of such fact.

8.8 **Compliance with Applicable Laws.** Celsion shall comply with all Applicable Laws relating to its distribution, marketing, promotion and sale of the Product.

ARTICLE 9

TERM OF MANUFACTURING AGREEMENT; TERMINATION

9.1 **Term of Agreement.** Unless sooner terminated in accordance with this Article 9, this Agreement will take effect and commence on the Effective Date and continue in effect for a term of ten (10) years after the date the Product is approved for sale in China by the SFDA (the "Term").

9.2 **Termination.** In addition to termination by expiration under Section 9.1, above, each Party will have the right to terminate this Agreement as follows:

(a) Either Party may terminate this Agreement because of a material breach or material default of this Agreement by the other Party as follows: The terminating Party will give the other Party prior written notice thereof, specifying in reasonable detail the alleged material breach or material default, and if such alleged material breach or material default continues unremedied for a period of thirty (30) days with respect to monetary breaches or defaults or forty-five (45) days with respect to non-monetary breaches or defaults after the date of receipt of the notification, then such terminating Party may immediately terminate this Agreement by again providing written notification to the defaulting Party. The right of a party to terminate this Agreement pursuant to this Section 8.2(a) will not be the exclusive remedy of the non-defaulting party, and will not be in lieu of any other remedies available to a Party hereto for any breach or default hereunder on the part of the other Party.

(b) Either Party may immediately terminate this Agreement by providing written notice to the other Party if the other Party is declared insolvent or bankrupt by a court of competent jurisdiction, or a voluntary petition of bankruptcy is filed in any court of competent jurisdiction by the other Party, or an involuntary petition for relief under the United States Bankruptcy Code (or foreign equivalent) is filed in a court of competent jurisdiction against the other Party which is not dismissed within sixty (60) days of its filing, or the other Party makes or executes any assignment for the benefit of creditors.

(c) In the event that Hisun contemplates not renewing this Agreement at the end of the Term, Hisun will in good faith, provide Celsion with such decision in a timeframe sufficient to allow Celsion to develop an alternative supplier, which typically involves an 18-24 lead time. Alternatively, Hisun shall continue to supply Product to Celsion in accordance with the terms of this Agreement after expiration of the Term of this Agreement for such period of time as may be reasonably required for Celsion to effect an orderly transition to an alternative supplier of the Product.

9.3 **Effect of Termination.** Upon termination of this Agreement for any reason (whether due to breach of either Party, expiration pursuant to Section 9.1, or otherwise), Hisun will furnish to Celsion a complete inventory of all work in progress for the manufacture of the Product and an inventory of all finished Product. Unless otherwise agreed to between the Parties, all stock on hand as of the effective date of termination of this Agreement will be dealt with promptly as follows:

(a) Product manufactured and packaged pursuant to purchase orders received from Celsion and accepted by Hisun will be delivered by Hisun to Celsion, whereupon Celsion will pay Hisun therefore in accordance with the terms hereof;

(b) Work in progress commenced by Hisun against accepted purchase orders from Celsion or work in progress or finished Product commenced or finished in reliance on the quantity of Product forecasted for the current Calendar Quarter in the Forecast delivered to Hisun on or before the thirtieth (30^{th}) day of the previous Calendar Quarter will be completed by Hisun and delivered to Celsion, whereupon Celsion will pay Hisun therefore in accordance with the terms hereof; and

Notwithstanding Section 2.3, but subject to Section 2.4, payment for all Product and other materials delivered to Celsion pursuant to this Section 8.4 will be deemed payable upon receipt of an invoice evidencing delivery of such Product and materials to Celsion.

9.4 **Continuing Obligations.** Termination of this Agreement for any reason will not relieve the Parties of any obligation accruing prior thereto or any antecedent breach of the provisions of this Agreement will be without prejudice to the rights and remedies of either Party with respect to any antecedent breach of the provisions of this Agreement. Without limiting the generality of the foregoing and in addition to the foregoing, no termination of this Agreement, whether by lapse of time or otherwise, will serve to terminate the rights and obligations of the Parties hereto under Sections 7.6, 8.6, 10.1, 12.1 and 17.15 hereof, and such obligations will survive any such termination.

9.5 **Non-Exclusive Remedies.** The remedies set forth in this Section 9 or elsewhere in this Agreement will be in addition to, and will not be to the exclusion of, any other remedies available to the Parties at law, in equity or under this Agreement in the event of a breach by the other Party of the provisions of this Agreement.

ARTICLE 10

CONFIDENTIALITY

10.1 **Confidentiality**. Each Party acknowledges that, in the course of performing its duties and obligations under this Agreement, certain information that is confidential or proprietary to such Party ("***Confidential Information***") will be furnished by the other Party or such other Party's representatives. Each Party agrees that any Confidential Information furnished by the other Party or such other Party's representatives will not be used by it or its representatives except in connection with, and for the purposes of, the manufacturing, promotion, marketing, distribution and sale of Product and for any other purpose permitted under this Agreement and, except as provided herein, will not be disclosed by it or its representatives to any third party without the prior written consent of the other Party. Notwithstanding the foregoing, Confidential Information furnished by a Party may be disclosed by a Receiving Party to such Receiving Party's professional advisors or such Receiving Party's bona fide potential purchasers, acquirers, investors, bankers and lenders, and the professional advisors of the foregoing; provided that such persons need to know the disclosed information and agree to be bound by the Receiving Party's obligation of confidentiality with respect to such information. The Parties further agree that all Confidential Information disclosed in written, electronic or other tangible form (such as a physical prototype, physical sample, photograph or video tape) shall be clearly marked "CONFIDENTIAL" or, if furnished in oral form or by visual observation, shall be stated to be confidential by the Party disclosing such information at the time of such disclosure and reduced to a writing by the Party disclosing such information which is furnished to the other Party or such other Party's representatives within forty-five (45) days after such disclosure.

10.2 **Exceptions**. The confidentiality obligations of each Party under this Article 10 do not extend to any Confidential Information furnished by the other Party or such other Party's representatives that (a) is or becomes generally available to the public other than as a result of a disclosure by the Receiving Party or its representatives, (b) is or becomes generally available to the public as a result of a disclosure specifically permitted under this Article 10, (c) was available to the Receiving Party or its representatives on a non-confidential basis prior to its disclosure thereto by the other Party or such other Party's representatives, (d) can be demonstrated by the Receiving Party that it was independently developed by the Receiving Party without reference to any Confidential Information of the other Party, or (e) becomes available to such Party or its representatives on a non-confidential basis from a source other than the other Party or such other Party's representatives; provided, however, that such source is not bound by a confidentiality agreement with the other Party or such other Party's representatives.

10.3 **Legally Required Disclosures**. If the Party receiving any Confidential Information or any of its representatives (the *"**Receiving Party**"*) is required by law, rule or regulation or by order of a court of law, administrative agency, or other governmental body (including the United States Securities and Exchange Commission or its foreign equivalent) to disclose any of the Confidential Information, the Receiving Party will (a) promptly provide the other party (the *"**Disclosing Party**"*) with reasonable advance written notice if at all possible to enable the Disclosing Party the opportunity to seek a protective order or to otherwise prevent or limit such legally required disclosure, (b) use Commercially Reasonable Efforts to cooperate with the Disclosing Party to obtain such protection, and (c) disclose only the legally required portion of the Confidential Information. Any such legally required disclosure will not relieve the Receiving Party from its obligations under this Agreement to otherwise limit the disclosure and use of such information as Confidential Information.

10.4 **Terms of Agreement**. The terms of this Agreement, and the transactions contemplated hereby, shall be deemed to be Confidential Information subject to the provisions of this Article 10.

10.5 **Compelled Disclosure**. In the event that either Party or its representatives are requested or become legally compelled (by oral questions, interrogatories, requests for information or document subpoena, civil investigative demand or similar process) to disclose any Confidential Information furnished by the other Party or such other Party's representatives or the fact that such Confidential Information has been made available to it, such Party agrees that it or its representatives, as the case may be, will provide the other party with prompt written notice of such request(s) so that the other Party may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Agreement. In the event that such protective order or other remedy will not be obtained, or that the other Party waives compliance with the provisions of this Agreement, such Party agrees that it will furnish only that portion of such Confidential Information that is legally compelled and will exercise Commercially Reasonable Efforts to obtain reliable assurance that confidential treatment will be accorded to that portion of such Confidential Information and other information being disclosed.

10.6 **Return of Confidential Information**. Upon termination of this Agreement and upon the request of the Disclosing Party, the Receiving Party will return to the Disclosing Party all Confidential Information (including copies) provided by the Disclosing Party under this Agreement, and will destroy all summaries, extracts and the like prepared by the Receiving Party that incorporate the Disclosing Party's Confidential Information; provided, however, that the Receiving Party may retain one complete copy of the Confidential Information, for the sole and limited purpose of determining its obligations under this Agreement, such copy to be retained by the Legal Department of the Receiving Party.

10.7 **Survival**. The obligations of the Parties under this Article 10 shall terminate [***] after termination or expiration of this Agreement except with respect to any Confidential Information that constitutes trade secret, the obligations under the Articles shall survive until such Confidential Information ceases to be a trade secret.

ARTICLE 11

OPTION TO SUPPLY PRODUCT OUTSIDE THE TERRITORY

11.1 **Mutual Options**. During the Term of this Agreement, Celsion hereby grants to Hisun, the option to manufacture and supply the Product to Celsion, in markets outside the Territory from time to time. Similarly, Hisun hereby grants to Celsion the option to request that Hisun supply the Product to Celsion, in markets outside the Territory from time to time.

11.2 **Conditions to Exercise of the Options**. Each of the options set forth in Section 11.2 above shall be subject to and conditioned upon satisfaction of each of the following conditions:

1. The Party that is the grantee of the option shall not be in breach or default of any of its material obligations under this Agreement.

2. The Parties are able to mutually agree upon the detailed terms of such development, manufacture and supply arrangements and execute definitive agreements reflecting such terms.

3. [***]

4. Hisun has taken all steps necessary to obtain complete and unconditional approval of Hisun's manufacture, storage, packaging, shipment and supply of the Product to Celsion in the relevant countries outside the Territory from the Regulatory Authorities in such countries.

5. [***]

ARTICLE 12

NONCOMPETITION

12.1 **Hisun Obligation**. During the longer of (i) the Term of this Agreement, or (ii) ten (10) years after Product approval in the Territory, Hisun agrees that neither it, nor any of its shareholders, officers or employees, shall engage, directly or indirectly, as an owner, officer, director, employee, consultant, partner, joint venturer, or in any other capacity in which it receives compensation, in the development, manufacturing, supply or sale of any heat activated liposomal drug (meaning any liposomal drug with a release temperature range of 39° C - 45° C) for any person or entity other than Celsion or its marketing and distribution partners (the "Restricted Field of Use"), whether inside or outside the Territory.

12.2 **Injunctive Relief**. Any breach or threatened breach by Hisun of its obligations under this Article 12, shall cause immediate and irreparable harm to Celsion, for which there may be no adequate remedy at law. Thus, in addition to any other legal or equitable remedies it may have, Celsion may seek injunctive relief, specific performance, or any other form of equitable relief, in a court of competent jurisdiction to remedy such breach. This provision is not a waiver of any other rights or remedies which Celsion may have at law or in equity, including the right to recover monetary damages arising from such breach.

ARTICLE 13

ADDITIONAL COVENANTS AND AGREEMENTS OF THE PARTIES

13.1 **Compliance with Law.** Hisun will comply with all Applicable Laws relating to its development, production, manufacturing, store age, packaging and shipment of the Product. Celsion will comply with all Applicable Laws relating to its distribution, marketing, promotion and sale of the Product. The Parties acknowledge and agree that Celsion, as owner of the NDA, will have ultimate responsibility for, among other things, adverse event reporting, product quality complaints, label maintenance, other regulatory reporting obligations, and response to and payment of any and all medical and technical inquiries. Hisun and Celsion each shall maintain all records and reports required to be kept by Applicable Laws, and each will make its facilities available at reasonable times during regular business hours for inspection by representatives of governmental agencies. Hisun and Celsion each will notify the other within [***] of receipt of any notice or any other indication whatsoever of any SFDA or other governmental agency inspection, investigation or other inquiry, or other notice or communication of any type from a governmental agency, involving the manufacturing, selling, marketing, promoting, co-promoting and co-marketing of the Product in the Territory. Celsion and Hisun will cooperate with each other during any such inspection, investigation or other inquiry including allowing upon reasonable request a representative of the other to be present during the applicable portions of any such inspection, investigation or other inquiry and providing copies of all relevant documents. Celsion and Hisun will discuss any response to observations or notifications received in connection with any such inspection, investigation or other inquiry and each will give the other an opportunity to comment upon any proposed response before it is made. In the event of disagreement concerning the form or content of such response, however, Hisun will ultimately be responsible for deciding the appropriate form and content of any response with respect to any of its cited activities and Celsion will ultimately be responsible for deciding the appropriate form and content of any response with respect to any of its cited activities, provided that in each case they shall consider in good faith the comments of the other Party in formulating its response.

13.2 **Recall.** Hisun and Celsion will each maintain such traceability records as may be necessary to permit a recall or field correction of the Product. If Hisun or Celsion is required or requested by any governmental authority, or if Celsion in its sole discretion otherwise elects, to recall any Product for any reason, Celsion will be responsible for initiating such recall after appropriate consultation with Hisun. If Hisun determines a recall is necessary, then Hisun will notify Celsion within [***] in writing and by telephone to Celsion's Vice President of Regulatory Affairs, whereupon Celsion will initiate the recall. Both Parties will cooperate fully with one another in connection with any recall. If any recall of Product distributed on or after the Effective Date is due to Hisun Error, Hisun will reimburse Celsion for (i) the Purchase Price(s) paid by Celsion for such recalled Product, and (ii) all of Celsion's other reasonable direct costs and expenses actually incurred by Celsion in connection with the recall, including but not limited to, direct costs of retrieving Product already delivered to customers and direct costs and expenses Celsion is required to pay for notification, shipping and handling charges; [***]. If a recall of Product distributed after the Effective Date is due to anything other than Hisun Error, Celsion will bear all costs associated with the recall, Celsion will remain responsible for the Purchase Price(s) for such Product and will reimburse Hisun for all of the reasonable direct costs and expenses described above actually incurred by Hisun (if any) in connection with such recall including, but not limited to, administration of the recall and such other reasonable direct costs as may be reasonably related to the recall.

13.3 **Expenses.** Hisun and Celsion each will bear their own direct and indirect expenses incurred in connection with the negotiation and preparation of this Agreement and the performance of the obligations contemplated hereby.

13.4 **Reasonable Efforts.** Hisun and Celsion each hereby agrees to use all reasonable efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things reasonably necessary or proper to make effective the transactions contemplated by this Agreement, including such actions as may be reasonably necessary to obtain approvals and consents of Regulatory Authorities (including, without limitation, all applicable drug listing and NDA notifications to the SFDA); provided, however, that no Party will be required to (i) pay money (other than as expressly required pursuant to this Agreement or as implicitly required in order for a Party to carry out its obligations hereunder), or (ii) assume any other material obligation not otherwise required to be assumed by this Agreement.

13.5 **Cooperation.** If either Party becomes engaged in or participates in any investigation, claim, litigation or other proceeding with any third party, including the SFDA, relating in any way to the manufacturing, selling, marketing, promoting, co-marketing or co-promoting the Product in the Territory, the other Party agrees to cooperate in all reasonable respects with such Party in connection therewith, including using its reasonable efforts to make available to the other such employees who may be helpful with respect to such investigation, claim, litigation or other proceeding, provided that, for purposes of this provision, reasonable efforts to make available any employee will be deemed to mean providing a Party with reasonable access to any such employee at no cost for a period of time not to exceed three (3) business days, and provided that neither Party is required to disclose any legally privileged documents or information to the other Party. Thereafter, any such employee will be made available for such time and upon such terms and conditions (including compensation) as the Parties may mutually agree.

13.6 **Conflicting Rights.** Neither Party will grant any right to any third party which would violate the terms of, or conflict with the rights granted by such Party to the other Party pursuant to, this Agreement.

ARTICLE 14

INDEMNIFICATION; INSURANCE

14.1 **Hisun Indemnity**. Hisun hereby agrees to indemnify, defend and hold harmless Celsion and its stockholders, officers, directors and employees (collectively, the "***Celsion Indemnified Parties***") from and against any claims, losses, damages, liabilities, causes of action, suits, fines, penalties, costs and expenses, including all reasonable attorneys' fees and court costs, incurred by Celsion or any of the Celsion Indemnified Parties arising out of or relating to (a) any breach by Hisun of its representations, warranties, covenants and agreements under this Agreement, (b) actions, suits or proceedings alleging personal injury or death, including any product liability claims, or any damage to any property caused by the failure of the Product to conform to the Specifications at the time of delivery to Celsion under this Agreement, (c) allegations that the Hisun intellectual property, or the manufacture, storage or shipment of the Product by Hisun, violates, infringes upon or misappropriates the intellectual property rights of any third party, and (d) any act or omission on the part of Hisun in performing its obligations under this Agreement; except to the extent that the foregoing (a) through (d) is based upon any claim upon which Celsion is required to indemnify Hisun under Section 14.2 hereof.

14.2 **Celsion Indemnity**. Celsion hereby agrees to indemnify, defend and hold harmless Hisun and its stockholders, officers, directors and employees (collectively the "**Hisun Indemnified Parties**") from and against any claims, losses, damages, liabilities, causes of action, suits, fines, penalties, costs and expenses, including all reasonable attorneys' fees and court costs, incurred by Hisun or any of the Hisun Indemnified Parties arising out of or relating to (a) any breach by Celsion of its representations, warranties, covenants and agreements under this Agreement, (b) actions, suits or proceedings arising from or relating to the marketing, promotion, sale, handling or distribution of the Product by Celsion or its distributors or licensees, (c) allegations that the intellectual property rights of Celsion, or the marketing, promotion, sale, handling or distribution of the Product by Celsion in the Territory, violates, infringes upon or misappropriates the intellectual property rights of any third party and (d) any act or omission on the part of Celsion in performing its obligations under this Agreement; except to the extent that the foregoing (a) through (d) is not based upon any claim upon which Hisun is required to indemnify Celsion under Section 14.1 hereof.

14.3 **Claims for Indemnification**. Whenever any indemnification claim arises under this Agreement, the party seeking indemnification (the "***Indemnified Party***") shall promptly notify the other party (the "***Indemnifying Party***") of the claim and, when known, the facts constituting the basis of such claim; provided, however, that failure to give such notice shall not relieve the Indemnifying Party of its obligation hereunder unless and to the extent that such failure substantially prejudices the Indemnifying Party.

14.4 **Third-Party Claims**. In the event of a third-party claim giving rise to indemnification hereunder, the Indemnifying Party may, upon prior written notice to the Indemnified Party, assume the defense of such claim with counsel reasonably satisfactory to the Indemnified Party, and shall thereafter be liable for all expenses incurred in connection with such defense, including attorneys' fees and expenses; provided, however, that if the Indemnifying Party assumes the defense of any such claim, the Indemnified Party may participate in such defense at its own expense and with counsel of its choice. If the Indemnifying Party elects to control the defense of such claim, it shall do so diligently and shall have the right to settle any claim for monetary damages, provided such settlement includes a complete and absolute release of the Indemnified Party and shall not admit any fault or liability on the part of the Indemnified Party. Notwithstanding anything to the contrary, the Indemnifying Party may not settle any claims for fines, penalties or the like or in any way adverse to the Indemnified Party without the prior written consent of the Indemnified Party, which shall not unreasonably be withheld or delayed.

14.5 **Third-Party Infringement**. Each party shall promptly notify the other party in writing of any infringement or violation by any third party of any Celsion intellectual property rights related to the Product of which it becomes aware. In the case of any infringement or violation by any third party in the Territory of any Celsion intellectual property rights related to the Product, Celsion shall have the right but not the obligation, at its sole expense, to exercise its rights (including, without limitation, common law and statutory rights) to cause such third party to cease such infringement and to otherwise enforce such rights. If Celsion exercises such right, Celsion shall select legal counsel and pay all legal fees and costs of prosecution of such action. Celsion shall have one hundred twenty (120) days from the date it is notified in writing of the infringement or violation to elect to exercise its rights to cause such third party infringement to cease. Celsion shall be entitled to retain all amounts received as a result of settlement or judgment of such action.

14.6 **Infringement Defense**. In the event either party receives notice of any claim that the manufacture, storage, packaging, use or sale of the Product in the Territory infringes the rights of a third party, it shall give prompt notice to the other party and shall discuss in good faith alternative strategies for addressing the matter and cooperate with each other to terminate such infringement without litigation. After such discussion, Celsion shall have the right and obligation, at its sole cost and expense, to defend against such claim. Hisun shall provide, at Hisun's sole expense, such assistance and cooperation to Celsion as may be reasonably necessary to defend any such action, and Celsion shall have the right to settle such action for monetary damages, provided such settlement includes a complete and absolute release of Hisun. Notwithstanding anything to the contrary, Celsion may not settle any claims for fines, penalties or the like or in any way adverse to Hisun without the prior written consent of Hisun, which shall not unreasonably be withheld or delayed.

14.7 **LIMITATION ON LIABILITY**. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, COLLATERAL OR INCIDENTAL DAMAGES, OR DAMAGES FOR LOST PROFITS, HOWEVER CAUSED AND BASED ON ANY THEORY OF LIABILITY, ARISING OUT OF THIS AGREEMENT, ARISING OUT OF THIS AGREEMENT OR THE PERFORMANCE OR FAILURE TO PERFORM ANY OBLIGATIONS SET FORTH HEREIN, AND WHETHER OR NOT THE OTHER PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. THE PARTIES AGREE, HOWEVER, NONE OF THE FOREGOING LIMITATIONS OF THIS SECTION 14.7 APPLY TO ANY AMOUNTS PAID OR PAYABLE DUE TO ANY THIRD-PARTY RELATED CLAIM, DEMAND, PROCEEDING, SUIT OR ACTION FOR WHICH A PARTY IS OBLIGATED TO INDEMNIFY THE OTHER PARTY PURSUANT TO THIS ARTICLE 14, AND ANY SUCH AMOUNTS WILL BE CONSIDERED COMPENSATORY OR DIRECT DAMAGES AND NOT INDIRECT, SPECIAL, CONSEQUENTIAL, PUNITIVE, EXEMPLARY, COLLATERAL OR INCIDENTAL DAMAGES.

14.8 **Cooperation as to Indemnified Liability**. Each Party hereto shall reasonably cooperate with other party with respect to access to books, records, or other documentation within such Party's control, if deemed reasonably necessary or appropriate by any Party in the defense of any claim, which may give rise to indemnification hereunder.

14.9 **Insurance Requirements**. At all times after Hisun commences manufacture of the Product in accordance with the terms of this Agreement, in order to provide sufficient protection to Celsion, Hisun will, at its own cost and expense, obtain and maintain in full force and effect, during the Term, Property Comprehensive Insurance (in the amount of [***]), Employment Injury Insurance (in accordance with the requirements of Chinese law), At the written request by Celsion, Hisun will furnish Celsion with a certificate of insurance within thirty (30) days of the Effective Date of this Agreement evidencing that such insurance is in effect and Hisun should be maintain the above insurances during the term of this Agreement.

ARTICLE 15

INTELLECTUAL PROPERTY

15.1 Ownership of Intellectual Property.

15.1.1 Celsion Background IP. As between the Parties, Celsion is and shall remain the sole owner of all Celsion Background IP.

15.1.2 Hisun Background IP. As between the Parties, Hisun is and shall remain the sole owner of all Hisun Background IP.

15.1.3 Joint Improvements and Hisun Improvements. The Parties recognize that, as a result of the collaboration contemplated by this Agreement, certain improvements to the Celsion Background IP may be jointly developed by Celsion and Hisun, or by Hisun. All such improvements to Celsion Background IP, whether developed by Celsion, Hisun, or jointly developed by Celsion and Hisun, shall be owned exclusively by Celsion. In exchange for the fee to be paid by Celsion pursuant to Section 2.2.4, Hisun hereby irrevocably transfers and assigns, and shall cause each of its employees and personnel to irrevocably transfer and assign, and to promptly take all necessary actions to so transfer and assign, its and their entire right, title, interest, and ownership claim, in any such improvements to the Celsion Background IP, to Celsion. Celsion hereby grants to Hisun a non-exclusive, perpetual, world-wide, royalty-free license to use, develop, market and sell drugs or products utilizing any joint improvements to the Celsion Background IP developed by Hisun, or jointly developed by Hisun and Celsion, provided that such license shall not apply to the Restricted Field of Use, whether inside or outside the Territory, for the longer of (i) the Term of this Agreement, or (ii) [***] after Product approval in the Territory, after which Hisun shall be free to use any jointly developed improvements to the Celsion Background IP without restriction.

ARTICLE 16

DISPUTE RESOLUTION

16.1 Arbitration.

16.1.1 Good Faith Negotiation. With the exception of those matters referred for independent decision making under Section 4.5.2, in the event of any dispute arising out of or relating to this Agreement, the Parties shall first attempt to resolve such dispute through good-faith negotiations. Such negotiations shall not extend for a period of more than one (1) month following written notification of such dispute by one Party to the other Party.

16.1.2 Resolution by CEO Discussion. Either Party may refer any such dispute to the Party's respective Chief Executive Officer, who shall confer on the resolution of the issue. Any final decision mutually agreed to by such officers shall be conclusive and binding on the Parties. If such officers are not able to agree on a resolution within fifteen (15) Business Days after first discussing the issue, either Party may, by written notice to the other Party, elect to initiate arbitration pursuant to Section 16.1.3.

16.1.3 **Arbitration Rules and Location.** Any arbitration under this Section 16.1 shall be administered by the American Arbitration Association under its Commercial Arbitration Rules then in effect (the "Arbitration Rules") and as otherwise described in this Section 16.1.3. The arbitration shall take place in Singapore.

(i) Full Arbitration. Unless Section 16.1.3(ii) is invoked for an expedited arbitration, the following procedures apply:

(1) The Parties shall appoint an arbitrator by mutual agreement. If the Parties cannot agree on the appointment of an arbitrator within thirty (30) days of the demand for arbitration, an arbitrator shall be appointed in accordance with the Arbitration Rules.

(2) Either Party may apply to the arbitrator for interim injunctive relief until the arbitration decision is rendered or the matter is otherwise resolved. Either Party also may, without waiving any right or remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending resolution of the arbitration matter pursuant to this Section 16.1.3. The arbitrator shall have the authority to grant any equitable and legal remedies that would be available in any judicial proceeding instituted to resolve the dispute submitted to arbitration; provided, however, that the arbitrator shall not have the power to alter, amend, or otherwise affect the terms or provisions of this Agreement. Judgment upon any award rendered pursuant to this Section may be entered by any court having jurisdiction over the Parties' other assets.

(3) Each Party shall bear its own costs and expenses and attorneys' fees, and the Party that does not prevail in the arbitration proceeding shall pay the arbitrator's fees and any administrative fees of arbitration.

(4) Except to the extent necessary to confirm an award or decision or as may be required by applicable law, neither Party may, and the Parties shall instruct the arbitrator not to, disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the arbitration matter would be barred by the applicable Delaware statute of limitations.

(5) The Parties hereby agree that any payment to be made by a Party pursuant to a decision of the arbitrator shall be made in United States Dollars, free of any tax or other deduction. The Parties further agree that the decision of the arbitrator shall be the sole, exclusive and binding remedy between them regarding determination of the arbitration matters presented and the Parties hereby waive the right to contest the award in any court or other forum.

(ii) Expedited Arbitration. Any dispute may be referred by either Party for expedited arbitration, in which case the procedures set forth in Section 16.1.3(i) shall apply, except as follows:

(1) A single, independent, conflict-free arbitrator shall be appointed, who shall have sufficient background, expertise, and experience to resolve the dispute ("the Expert");

(2) Each Party shall submit a written summary of such Party's position to the Expert within thirty (30) days of the selection of the Expert. Within thirty (30) days after receipt of such summaries by the Expert, the Expert shall make a determination that the Expert considers the most fair and reasonable to the Parties, and shall provide the Parties with a written statement setting forth the basis of the determination.

(iii) Arbitration Results are Binding on the Parties. All arbitration decisions and outcomes to resolve disputes under this Article 16 are legally binding upon both Parties and will serve as the final decision.

ARTICLE 17

MISCELLANEOUS PROVISIONS

17.1 **Successors and Assigns.** This Agreement will be binding upon and will inure to the benefit of the Parties hereto and their respective successors and assigns; provided, however, that neither Hisun nor Celsion may assign or subcontract any of its rights or obligations under this Agreement or any portion thereof without the prior written consent of the other Party, which consent shall be in the sole and absolute discretion of the other Party, except that no prior written consent will be required if Hisun or Celsion assigns any or all of its rights hereunder to one of its Affiliates or Celsion assigns any or all its rights hereunder to its licensees in the Territory. "Successor" shall mean any successor to a Party by way of the acquisition of all or substantially all of the assets of a Party, or the acquisition of a controlling ownership interest in a Party by way of purchase, share exchange or the merger, consolidation or similar reorganization of a Party.

17.2 **Notices.** Unless otherwise stated in this Agreement as to the method of delivery, all notices or other communications required or permitted to be given hereunder will be in writing and will be deemed to have been duly given if delivered by hand, courier, facsimile or if mailed first class, postage prepaid, by registered or certified mail, return receipt requested (such notices will be deemed to have been given on the date delivered in the case of hand delivery or delivery by courier, on the date set forth in the confirmation sheet in the case of facsimile delivery, and on the third (3rd) business day following the date of post mark in the case of delivery by mail) as follows:

If to Hisun, as follows:

[***]

With a copy to:

[***]

If to Celsion, as follows:

[***]

With a copy to:

[***]

or to such other address or addresses as may be furnished hereafter in a written notice as provided in this Section 17.2 by any Party hereto to the other Party.

17.3 **Waiver.** Any term or provision of this Agreement may be waived at any time by the Party entitled to the benefit thereof only by a written instrument executed by such Party. No delay on the part of Hisun or Celsion in exercising any right, power or privilege hereunder will operate as a waiver thereof, nor will any waiver on the part of either Hisun or Celsion of any right, power or privilege hereunder operate as a waiver of any other right, power or privilege hereunder nor will any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder.

17.4 **Entire Agreement.** This Agreement and its appendices, exhibits, schedules and certificates, and all documents and certificates delivered in connection herewith, constitute the entire agreement between the Parties with respect to the subject matter hereof and supersede all prior agreements or understandings of the Parties relating thereto, whether oral or written.

17.5 **Amendment.** This Agreement may be modified or amended only by written agreement of the Parties hereto signed by authorized representatives of both Parties.

17.6 **Counterparts.** This Agreement may be executed in any number of counterparts, each of which will be deemed an original but all of which together will constitute a single instrument.

17.7 **Governing Law.** This Agreement will be governed and construed in accordance with the laws of the State of New Jersey (US) excluding any conflict of law principles.

17.8 **Captions.** All section titles or captions contained in this Agreement and in any exhibit, schedule or certificate referred to herein or annexed to this Agreement are for convenience only, will not be deemed a part of this Agreement and will not affect the meaning or interpretation of this Agreement.

17.9 **No Third Person Rights.** No provision of this Agreement will be deemed or construed in any way to result in the creation of any rights or obligations in any Person not a Party to this Agreement (except for the rights of a Party's Affiliates and its and its Affiliates' directors, officers and employees to receive indemnification from the other Party hereunder).

17.10 **Construction.** This Agreement will be deemed to have been drafted by both Hisun and Celsion and will not be construed against either Party as the draftsperson hereof. Unless the context of this Agreement otherwise requires: (a) words of any gender include each other gender; (b) words using the singular or plural number also include the plural or singular number, respectively, (c) the terms "hereof," "herein," "hereby" and derivative or similar words refer to this entire Agreement; (d) the terms "Article" or "Section" refer to the specified Article or Section of this Agreement; and (e) the term "including" or "includes" means "including without limitation" or "includes without limitation." Whenever this Agreement refers to a number of days, such number shall refer to calendar days unless business days are specified.

17.11 **Appendices, Exhibits, Schedules and Certificates.** Each appendix, exhibit, schedule and certificate attached hereto is incorporated herein by reference and made a part of this Agreement.

17.12 **No Joint Venture.** Nothing contained herein will be deemed to create any joint venture or partnership between the Parties hereto, and, except as is expressly set forth herein, neither Party will have any right by virtue of this Agreement to bind the other Party in any manner whatsoever.

17.13 **Severability.** If any provision of this Agreement is held to be illegal, invalid, or unenforceable under present or future laws effective while this Agreement remains in effect, the legality, validity and enforceability of the remaining provisions will not be affected thereby.

17.14 **Force Majeure.** If either Party is prevented from complying, either totally or in part, with any of the terms or provisions set forth herein by reason of force majeure, including, by way of example and not of limitation, fire, flood, explosion, storm, strike, lockout or other labor dispute, riot, war, rebellion, accidents, acts of God, acts of governmental agencies or instrumentalities, failure of suppliers or any other similar or dissimilar cause, in each case to the extent beyond its control despite its Commercially Reasonable Efforts to avoid, minimize, and resolve such cause as promptly as possible, said Party will (a) provide written notice of same to the other Party, and (b) subject to its following obligations with respect to said Party's efforts to resolve the issue, the Party's obligation that are prevented from compliance by such force majeure are suspended, without liability, during such period of force majeure. Said notice will be provided within two (2) business days of the occurrence of such event and will identify the requirements of this Agreement or such of its obligations as may be affected. If any raw materials, facility systems or capacity is used for both the affected Product and any other product or purposes, any necessary allocation will be made as between Hisun's needs (including those of any Affiliate of Hisun), Celsion's needs and the needs of any other Party to whom Hisun has firm contractual obligations on a basis no less favorable than pro rata on a volume basis. The Party prevented from performing hereunder will use Commercially Reasonably Efforts to remove such disability as promptly as possible and will continue performance whenever such causes are removed. The Party so affected will give to the other Party a good faith estimate of the continuing effect of the force majeure condition and the duration of the affected Party's nonperformance. If the period of any previous actual nonperformance of Hisun because of Hisun force majeure conditions plus the anticipated future period of Hisun nonperformance because of such conditions will exceed an aggregate of [***] days, Celsion may terminate this Agreement by prior written notice to Hisun. If the period of any previous actual nonperformance of Celsion because of Celsion force majeure conditions plus the anticipated future period of Celsion nonperformance because of such conditions will exceed an aggregate of [***] days, Hisun may terminate this Agreement by prior written notice to Celsion. When such circumstances as those contemplated herein arise, the Parties will discuss in good faith, what, if any, modification of the terms set forth herein may be required in order to arrive at an equitable solution.

17.15 **Press Releases and Announcements.** Neither Party may issue any press release or make any public announcement concerning the transactions contemplated by this Agreement without the prior written consent of the other Party (which consent shall not be unreasonably withheld, conditioned, or delayed). Notwithstanding the foregoing, if a press release or other public announcement with respect to the subject matter herein is required by Applicable Laws or any listing agreement with a national securities exchange or quotation system, the Party required to make such announcement may do so provided that such Party has provided reasonable notice and a copy of such announcement and, to the extent practicable, takes the views of the other Party with respect to such announcement into account prior to making such announcement.

17.16 Hisun USA hereby absolutely, unconditionally and irrevocably guarantees each and every representation, warranty, covenant, agreement and other obligation of, and the full and timely payment and prompt and complete performance of Hisun's obligations and liabilities under the provisions of this Agreement, including the non-compete obligations set forth in Section 12.1 and indemnification obligations set forth in Article 14. Any breach by Hisun of any representation, warranty, covenant, agreement and other obligation shall be deemed a breach by Hisun USA, with respect to which Celsion shall have the right to enforce against Hisun USA.

(Signatures on following page)

***Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2

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

CELSION CORPORATION

By: _____
Michael Tardugno, Chief Executive Officer

ZHEJIANG HISUN PHARMA. CO. LTD.

By: [***]
[***]

Hisun Pharmaceutical USA Inc.

By: [***]
[***]

Schedule 1.13

Manufacturing Responsibilities Document

Schedule 1.16

Product List

Schedule 1.36

Specifications

***Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2

Schedule 2.1

Product Inventory

33

***Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2

Schedule 3.1A

Pricing for Product

[***]

***Text Omitted and Filed Separately with the Securities and Exchange Commission. Confidential Treatment Requested Under 17 C.F.R. Sections 200.80(b)(4) and 240.24b-2

Schedule 3.1B

Manufacturing Sites

Schedule 4.2

Initial Forecast

Schedule 4.3A

Lot Size

Schedule 4.3B

Purchase Order Information

Schedule 4.4

Form of Certificate of Analysis

Schedule 7.5

Required Hisun Approvals

Schedule 8.5

Required Celsion Approvals

LOAN AND SECURITY AGREEMENT

THIS LOAN AND SECURITY AGREEMENT (this "**Agreement**") dated as of June 27, 2012 (the "**Effective Date**") among OXFORD FINANCE LLC, a Delaware limited liability company with an office located at 133 North Fairfax Street, Alexandria, Virginia 22314 ("**Oxford**"), as collateral agent (in such capacity, "**Collateral Agent**"), the Lenders listed on Schedule 1.1 hereof or otherwise a party hereto from time to time including Oxford in its capacity as a Lender and HORIZON TECHNOLOGY FINANCE CORPORATION, a Delaware corporation with an office located at 312 Farmington Avenue, Farmington, Connecticut 06032 (each a "**Lender**" and collectively, the "**Lenders**"), and CELSION CORPORATION, a Delaware corporation with offices located at 997 Lenox Drive, Suite 100, Lawrenceville, New Jersey 08648 ("**Borrower**"), provides the terms on which the Lenders shall lend to Borrower and Borrower shall repay the Lenders. The parties agree as follows:

1. ACCOUNTING AND OTHER TERMS

1.1 Accounting terms not defined in this Agreement shall be construed in accordance with GAAP. Calculations and determinations must be made in accordance with GAAP. Capitalized terms not otherwise defined in this Agreement shall have the meanings set forth in Section 13. All other terms contained in this Agreement, unless otherwise indicated, shall have the meaning provided by the Code to the extent such terms are defined therein. All references to "**Dollars**" or "**$**" are United States Dollars, unless otherwise noted.

2. LOANS AND TERMS OF PAYMENT

2.1 Promise to Pay. Borrower hereby unconditionally promises to pay each Lender, the outstanding principal amount of all Term Loans advanced to Borrower by such Lender and accrued and unpaid interest thereon and any other amounts due hereunder as and when due in accordance with this Agreement.

2.2 Term Loans.

(a) Availability. (i) Subject to the terms and conditions of this Agreement, the Lenders agree, severally and not jointly, to make term loans to Borrower on the Effective Date in an aggregate amount of Five Million Dollars ($5,000,000.00) according to each Lender's Term A Loan Commitment as set forth on Schedule 1.1 hereto (such term loans are hereinafter referred to singly as a "**Term A Loan**", and collectively as the "**Term A Loans**"). After repayment, no Term A Loan may be re-borrowed.

(ii) Subject to the terms and conditions of this Agreement, the Lenders agree, severally and not jointly, during the Second Draw Period, to make term loans to Borrower in an aggregate amount up to Five Million Dollars ($5,000,000.00) according to each Lender's Term B Loan Commitment as set forth on Schedule 1.1 hereto (such term loans are hereinafter referred to singly as a "**Term B Loan**", and collectively as the "**Term B Loans**"; each Term A Loan or Term B Loan is hereinafter referred to singly as a "**Term Loan**" and the Term A Loans and the Term B Loans are hereinafter referred to collectively as the "**Term Loans**"). After repayment, no Term B Loan may be re-borrowed.

(b) Repayment. Borrower shall make monthly payments of interest only commencing on the first (1st) Payment Date following the Funding Date of each Term Loan, and continuing on the Payment Date of each successive month thereafter through and including the Payment Date immediately preceding the Amortization Date. Borrower agrees to pay, on the Funding Date of each Term Loan, any initial partial monthly interest payment otherwise due for the period between the Funding Date of such Term Loan and the first Payment Date thereof. Commencing on the Amortization Date, and continuing on the Payment Date of each month thereafter, Borrower shall make consecutive equal monthly payments of principal and interest, in arrears, to each Lender, as calculated by Collateral Agent (which calculations shall be deemed correct absent manifest error) based upon: (1) the amount of such Lender's Term Loan, (2) the effective rate of interest, as determined in Section 2.3(a), and (3) a repayment schedule equal to thirty (30) months with respect to the Term A Loans and the Term B Loans. All unpaid principal and accrued and unpaid interest with respect to each Term Loan is due and payable in full on the Maturity Date. Each Term Loan may only be prepaid in accordance with Sections 2.2(c) and 2.2(d).

(c) Mandatory Prepayments. If the Term Loans are accelerated following the occurrence of an Event of Default, Borrower shall immediately pay to Lenders, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of: (i) all outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (ii) the Prepayment Fee, plus (iii) all other Obligations that are due and payable, including Lenders' Expenses and interest at the Default Rate with respect to any past due amounts.

(d) Permitted Prepayment of Term Loans. Borrower shall have the option to prepay all, but not less than all, of the Term Loans advanced by the Lenders under this Agreement, provided Borrower (i) provides written notice to Collateral Agent of its election to prepay the Term Loans at least ten (10) days prior to such prepayment (or such shorter period as the Lenders may agree), and (ii) pays to the Lenders on the date of such prepayment, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of (A) all outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (B) the Prepayment Fee, plus (C) all other Obligations that are due and payable, including Lenders' Expenses and interest at the Default Rate with respect to any past due amounts.

2.3 Payment of Interest on the Credit Extensions.

(a) Interest Rate. Subject to Section 2.3(b), the principal amount outstanding under the Term Loans shall accrue interest at a fixed per annum rate (which rate shall be fixed for the duration of the applicable Term Loan) equal to the Basic Rate, determined by Collateral Agent on the Funding Date of the applicable Term Loan, which interest shall be payable monthly in arrears in accordance with Sections 2.2(b) and 2.3(e). Interest shall accrue on each Term Loan commencing on, and including, the Funding Date of such Term Loan, and shall accrue on the principal amount outstanding under such Term Loan through and including the day on which such Term Loan is paid in full.

(b) Default Rate. Immediately upon the occurrence and during the continuance of an Event of Default, Obligations shall accrue interest at a fixed per annum rate equal to the rate that is otherwise applicable thereto plus five percentage points (5.00%) (the "**Default Rate**"). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Collateral Agent.

(c) 360-Day Year. Interest shall be computed on the basis of a three hundred sixty (360) day year consisting of twelve (12) months of thirty (30) days.

(d) Debit of Accounts. Collateral Agent and each Lender may debit (or ACH) any deposit accounts, maintained by Borrower or any of its Subsidiaries, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes the Lenders under the Loan Documents when due. Any such debits (or ACH activity) shall not constitute a set-off.

(e) Payments. Except as otherwise expressly provided herein, all payments by Borrower under the Loan Documents shall be made to the respective Lender to which such payments are owed, at such Lender's office in immediately available funds on the date specified herein. Unless otherwise provided, interest is payable monthly on the Payment Date of each month. Payments of principal and/or interest received after 12:00 noon Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest, as applicable, shall continue to accrue until paid. All payments to be made by Borrower hereunder or under any other Loan Document, including payments of principal and interest, and all fees, expenses, indemnities and reimbursements, shall be made without set-off, recoupment or counterclaim, in lawful money of the United States and in immediately available funds.

2.4 Secured Promissory Notes. The Term Loans shall be evidenced by a Secured Promissory Note or Notes in the form attached as Exhibit D hereto (each a "**Secured Promissory Note**"), and shall be repayable as set forth in this Agreement. Borrower irrevocably authorizes each Lender to make or cause to be made, on or about the Funding Date of any Term Loan or at the time of receipt of any payment of principal on such Lender's Secured Promissory Note, an appropriate notation on such Lender's Secured Promissory Note Record reflecting the making of such Term Loan or (as the case may be) the receipt of such payment. The outstanding amount of each Term Loan set forth on such Lender's Secured Promissory Note Record shall be prima facie evidence of the principal amount thereof owing and unpaid to such Lender, but the failure to record, or any error in so recording, any such amount on such Lender's Secured Promissory Note Record shall not limit or otherwise affect the obligations of Borrower under any Secured Promissory Note or any other Loan Document to make payments of principal of or interest on any Secured Promissory Note when due. Upon receipt of an affidavit of an officer of a Lender as to the loss, theft, destruction, or mutilation of its Secured Promissory Note**,** Borrower shall issue, in lieu thereof, a replacement Secured Promissory Note in the same principal amount thereof and of like tenor.

2.5 Fees. Borrower shall pay to Collateral Agent:

(a) Facility Fee. A fully earned, non-refundable facility fee of Fifty Thousand Dollars ($50,000.00) to be shared between the Lenders pursuant to their respective Commitment Percentages, receipt of Twenty Five Thousand Dollars ($25,000.00) of which Collateral Agent hereby acknowledges; the remaining Twenty Five Thousand Dollars ($25,000.00) of the facility fee shall be due and payable on the Funding Date of the Term A Loan;

(b) Prepayment Fee. The Prepayment Fee, when due hereunder, to be shared between the Lenders in accordance with their respective Pro Rata Shares; and

(c) Lenders' Expenses. All Lenders' Expenses (including reasonable attorneys' fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due.

2.6 Withholding. Payments received by the Lenders from Borrower hereunder will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any governmental authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to the Lenders, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction, each Lender receives a net sum equal to the sum which it would have received had no withholding or deduction been required and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority. Borrower will, upon request, furnish the Lenders with proof reasonably satisfactory to the Lenders indicating that Borrower has made such withholding payment; provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.6 shall survive the termination of this Agreement.

3. CONDITIONS OF LOANS

3.1 Conditions Precedent to Initial Credit Extension. Each Lender's obligation to make a Term A Loan is subject to the condition precedent that Collateral Agent and each Lender shall consent to or shall have received, in form and substance satisfactory to Collateral Agent and each Lender, such documents, and completion of such other matters, as Collateral Agent and each Lender may reasonably deem necessary or appropriate, including, without limitation:

(a) original Loan Documents, each duly executed by Borrower and each Subsidiary, as applicable;

(b) duly executed original Control Agreements with respect to any Collateral Accounts maintained by Borrower or any of its Subsidiaries other than the Excluded Accounts;

(c) duly executed original Secured Promissory Notes in favor of each Lender according to its Term A Loan Commitment Percentage;

(d) the Operating Documents and good standing certificates of Borrower and its Subsidiaries certified by the Secretary of State (or equivalent agency) of Borrower's and such Subsidiaries' jurisdiction of organization or formation and each jurisdiction in which Borrower and each Subsidiary is qualified to conduct business, each as of a date no earlier than thirty (30) days prior to the Effective Date**;**

(e) a completed Perfection Certificate for Borrower and each of its Subsidiaries;

(f) the Annual Projections, for the current calendar year;

(g) duly executed original officer's certificate for Borrower and each Subsidiary that is a party to the Loan Documents, in a form acceptable to Collateral Agent and the Lenders;

(h) certified copies, dated as of date no earlier than thirty (30) days prior to the Effective Date, of financing statement searches, as Collateral Agent shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Credit Extension, will be terminated or released;

(i) a landlord's consent executed in favor of Collateral Agent in respect of all of Borrower's and each Subsidiaries' leased locations;

(j) a bailee waiver executed in favor of Collateral Agent in respect of each third party bailee where Borrower or any Subsidiary maintains Collateral having a book value in excess of One Hundred Thousand Dollars ($100,000.00);

(k) a duly executed legal opinion of counsel to Borrower dated as of the Effective Date;

(l) evidence satisfactory to Collateral Agent and the Lenders that the insurance policies required by Section 6.5 hereof are in full force and effect, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements in favor of Collateral Agent, for the ratable benefit of the Lenders; and

(m) payment of the fees and Lenders' Expenses then due as specified in Section 2.5 hereof.

3.2 Conditions Precedent to all Credit Extensions. The obligation of each Lender to make each Credit Extension, including the initial Credit Extension, is subject to the following conditions precedent:

(a) receipt by Collateral Agent of an executed Disbursement Letter in the form of Exhibit B attached hereto;

(b) the representations and warranties in Section 5 hereof shall be true, accurate and complete in all material respects on the date of the Disbursement Letter and on the Funding Date of each Credit Extension; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the Credit Extension. Each Credit Extension is Borrower's representation and warranty on that date that the representations and warranties in Section 5 hereof are true, accurate and complete in all material respects; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date;

(c) in such Lender's sole reasonable discretion, there has not been any Material Adverse Change or any material adverse deviation by Borrower from the Annual Projections of Borrower presented to and accepted by Collateral Agent and each Lender;

(d) to the extent not delivered at the Effective Date, duly executed original Secured Promissory Notes and Warrants, in number, form and content acceptable to each Lender, and in favor of each Lender according to its Commitment Percentage, with respect to each Credit Extension made by such Lender after the Effective Date; and

(e) payment of the fees and Lenders' Expenses then due as specified in Section 2.5 hereof.

3.3 Covenant to Deliver. Borrower agrees to deliver to Collateral Agent and the Lenders each item required to be delivered to Collateral Agent under this Agreement as a condition precedent to any Credit Extension. Borrower expressly agrees that a Credit Extension made prior to the receipt by Collateral Agent or any Lender of any such item shall not constitute a waiver by Collateral Agent or any Lender of Borrower's obligation to deliver such item, and any such Credit Extension in the absence of a required item shall be made in each Lender's sole discretion.

3.4 Procedures for Borrowing. Subject to the prior satisfaction of all other applicable conditions to the making of a Term Loan set forth in this Agreement, to obtain a Term Loan, Borrower shall notify the Lenders (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 12:00 noon Eastern time three (3) Business Days prior to the date the Term Loan is to be made (or such shorter period as the Lenders may agree). Together with any such electronic, facsimile or telephonic notification, Borrower shall deliver to the Lenders by electronic mail or facsimile a completed Disbursement Letter executed by a Responsible Officer or his or her designee. The Lenders may rely on any telephone notice given by a person whom a Lender reasonably believes is a Responsible Officer or designee. On the Funding Date, each Lender shall credit and/or transfer (as applicable) to the Designated Deposit Account, an amount equal to its Term Loan Commitment.

4. CREATION OF SECURITY INTEREST

4.1 Grant of Security Interest. Borrower hereby grants Collateral Agent, for the ratable benefit of the Lenders, and to each Lender, to secure the payment and performance in full of all of the Obligations, a continuing security interest in, and pledges to Collateral Agent, for the ratable benefit of the Lenders, and to each Lender, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products thereof. Borrower represents, warrants, and covenants that the security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral, subject only to Permitted Liens that are permitted by the terms of this Agreement, or by operation of law, to have priority to Collateral Agent's and the Lenders' Liens. If Borrower shall acquire a commercial tort claim (as defined in the Code) in excess of Twenty Five Thousand Dollars ($25,000.00), Borrower shall promptly notify Collateral Agent in a writing signed by Borrower, as the case may be, of the general details thereof (and further details as may be required by Collateral Agent) and grant to Collateral Agent, for the ratable benefit of the Lenders, and to each Lender, in such writing a security interest therein and in the proceeds thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Collateral Agent and the Lenders.

If this Agreement is terminated, Collateral Agent's and the Lenders' Liens in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as the Lenders' obligation to make Credit Extensions has terminated, Collateral Agent and each Lender shall, at the sole cost and expense of Borrower, release its Liens in the Collateral and all rights therein shall revert to Borrower. In addition, upon the sale or other disposition of any Collateral permitted in accordance with this Agreement for which Borrower desires a security interest release from Collateral Agent and the Lenders, such a release may be obtained from Collateral Agent and the Lenders, at the sole cost and expense, and upon the prior written request, of Borrower.

4.2 Authorization to File Financing Statements. Borrower hereby authorizes Collateral Agent and each Lender to file financing statements or take any other action required to perfect Collateral Agent's and the Lenders' security interests in the Collateral, without notice to Borrower, with all appropriate jurisdictions to perfect or protect Collateral Agent's and the Lenders' interest or rights under the Loan Documents, including a notice that any disposition of the Collateral, except to the extent permitted by the terms of this Agreement, by Borrower, or any other Person, shall be deemed to violate the rights of Collateral Agent and the Lenders' under the Code.

5. REPRESENTATIONS AND WARRANTIES

Borrower represents and warrants to Collateral Agent and the Lenders as follows at all times:

5.1 Due Organization, Authorization: Power and Authority. Borrower and each of its Subsidiaries is duly existing and in good standing as a Registered Organization in its jurisdictions of organization or formation and Borrower and each of its Subsidiaries is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its businesses or its ownership of property requires that it be qualified except where the failure to do so could not reasonably be expected to have a Material Adverse Change. In connection with this Agreement, Borrower and each of its Subsidiaries has delivered to Collateral Agent a completed perfection certificate signed by an officer of Borrower or such Subsidiary (each a "**Perfection Certificate**" and collectively, the "**Perfection Certificates**"). Borrower represents and warrants that, except to the extent another provision of this Agreement expressly permits a different reporting treatment with respect to any of the following, (a) Borrower and each of its Subsidiaries' exact legal name is that which is indicated on its respective Perfection Certificate and on the signature page of each Loan Document to which it is a party; (b) Borrower and each of its Subsidiaries is an organization of the type and is organized in the jurisdiction set forth on its respective Perfection Certificate; (c) each Perfection Certificate accurately sets forth each of Borrower's and its Subsidiaries' organizational identification number or accurately states that Borrower or such Subsidiary has none; (d) each Perfection Certificate accurately sets forth Borrower's and each of its Subsidiaries' place of business, or, if more than one, its chief executive office as well as Borrower's and each of its Subsidiaries' mailing address (if different than its chief executive office); (e) Borrower and each of its Subsidiaries (and each of its respective predecessors) have not, in the past five (5) years, changed its jurisdiction of organization, organizational structure or type, or any organizational number assigned by its jurisdiction; and (f) all other information set forth on the Perfection Certificates pertaining to Borrower and each of its Subsidiaries, is accurate and complete in all material respects (it being understood and agreed that Borrower and each of its Subsidiaries may from time to time update certain information in the Perfection Certificates (including the information set forth in clause (d) above) after the Effective Date to the extent permitted by one or more specific provisions in this Agreement); such updated Perfection Certificates subject to the review and approval of Collateral Agent. If Borrower or any of its Subsidiaries is not now a Registered Organization but later becomes one, Borrower shall notify Collateral Agent of such occurrence and provide Collateral Agent with such Person's organizational identification number within five (5) Business Days of receiving such organizational identification number.

The execution, delivery and performance by Borrower and each of its Subsidiaries of the Loan Documents to which it is a party have been duly authorized, and do not (i) conflict with any of Borrower's or such Subsidiaries' organizational documents, including its respective Operating Documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law applicable thereto, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or such Subsidiary, or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or are being obtained pursuant to Section 6.1(b), or (v) constitute an event of default under any material agreement by which Borrower or any of such Subsidiaries, or their respective properties, is bound. Neither Borrower nor any of its Subsidiaries is in default under any agreement to which it is a party or by which it or any of its assets is bound in which such default could reasonably be expected to have a Material Adverse Change.

5.2 Collateral.

(a) Borrower and each its Subsidiaries have good title to, have rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien under the Loan Documents, free and clear of any and all Liens except Permitted Liens, and neither Borrower nor any of its Subsidiaries have any Deposit Accounts, Securities Accounts, Commodity Accounts or other investment accounts other than the Collateral Accounts, the Excluded Accounts or the other investment accounts, if any, described in the Perfection Certificates delivered to Collateral Agent in connection herewith with respect of which Borrower or such Subsidiary has given Collateral Agent notice and taken such actions as are necessary to give Collateral Agent a perfected security interest therein, other than with respect to the Excluded Accounts.

(b) On the Effective Date, and except as disclosed on the Perfection Certificate (i) the Collateral is not in the possession of any third party bailee (such as a warehouse), and (ii) no such third party bailee possesses components of the Collateral in excess of Two Hundred Fifty Thousand Dollars ($250,000.00). None of the components of the Collateral shall be maintained at locations other than as disclosed in the Perfection Certificates on the Effective Date or as permitted pursuant to Section 6.11.

(c) All Inventory is in all material respects of good and marketable quality, free from material defects.

(d) Borrower and each of its Subsidiaries is the sole owner of the Intellectual Property material to its business that each respectively purports to own, free and clear of all Liens other than Permitted Liens. Except as noted on the Perfection Certificates, neither Borrower nor any of its Subsidiaries is a party to, nor is bound by, any material license or other material agreement with respect to which Borrower or such Subsidiary is the licensee that (i) prohibits or otherwise restricts Borrower or its Subsidiaries from granting a security interest in Borrower's or such Subsidiaries' interest in such material license or material agreement or any other property, or (ii) for which a default under or termination of could interfere with Collateral Agent's or any Lender's right to sell any Collateral. Borrower shall provide written notice to Collateral Agent and each Lender within ten (10) days of Borrower or any of its Subsidiaries entering into or becoming bound by any license or agreement with respect to which Borrower or any Subsidiary is the licensee (other than over-the-counter software that is commercially available to the public). Borrower shall, and shall cause its Subsidiaries to, take such commercially reasonable steps as Collateral Agent and any Lender requests to obtain the consent of, or waiver by, any Person whose consent or waiver is necessary for (i) all licenses or agreements with respect to which Borrower or any Subsidiary is the licensee to be deemed "Collateral" and for Collateral Agent and each Lender to have a security interest in it that might otherwise be restricted or prohibited by law or by the terms of any such license or agreement, whether now existing or entered into in the future, and (ii) Collateral Agent and each Lender shall have the ability in the event of a liquidation of any Collateral to dispose of such Collateral in accordance with Collateral Agent's and such Lender's rights and remedies under this Agreement and the other Loan Documents.

5.3 Litigation. Except as disclosed (i) on the Perfection Certificates, or (ii) in accordance with Section 6.9 hereof, there are no actions, suits, investigations, or proceedings pending or, to the knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Two Hundred Fifty Thousand Dollars ($250,000.00).

5.4 No Material Deterioration in Financial Condition; Financial Statements. All consolidated financial statements for Borrower and its Subsidiaries, delivered to Collateral Agent fairly present, in conformity with GAAP, in all material respects the consolidated financial condition of Borrower and its Borrower's Subsidiaries, and the consolidated results of operations of Borrower and its Subsidiaries. There has not been any material deterioration in the consolidated financial condition of Borrower and its Subsidiaries since the date of the most recent financial statements submitted to any Lender.

5.5 Solvency. Borrower and each of its Subsidiaries is Solvent.

5.6 Regulatory Compliance. Neither Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Neither Borrower nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Neither Borrower nor any of its Subsidiaries has violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a Material Adverse Change. Neither Borrower's nor any of its Subsidiaries' properties or assets has been used by Borrower or such Subsidiary or, to Borrower's knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. Borrower and each of its Subsidiaries has obtained all consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

None of Borrower, any of its Subsidiaries, or any of Borrower's or its Subsidiaries' Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. None of Borrower, any of its Subsidiaries, or to the knowledge of Borrower and any of their Affiliates or agents, acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law.

5.7 Investments. Neither Borrower nor any of its Subsidiaries owns any stock, shares, partnership interests or other equity securities except for Permitted Investments.

5.8 Tax Returns and Payments; Pension Contributions. Borrower and each of its Subsidiaries has timely filed all required tax returns and reports, and Borrower and each of its Subsidiaries, has timely paid all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower and such Subsidiaries, in all jurisdictions in which Borrower or any such Subsidiary is subject to taxes, including the United States, unless such taxes are being contested in accordance with the following sentence. Borrower and each of its Subsidiaries, may defer payment of any contested taxes, provided that Borrower or such Subsidiary, (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted, (b) notifies Collateral Agent in writing of the commencement of, and any material development in, the proceedings, and (c) posts bonds or takes any other steps required to prevent the Governmental Authority levying such contested taxes from obtaining a Lien upon any of the Collateral that is other than a "Permitted Lien." Neither Borrower nor any of its Subsidiaries is aware of any claims or adjustments proposed for any of Borrower's or such Subsidiaries', prior tax years which could result in additional taxes becoming due and payable by Borrower or its Subsidiaries. Borrower and each of its Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and neither Borrower nor any of its Subsidiaries have, withdrawn from participation in, and have not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower or its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority. Notwithstanding anything to the contrary contained in this Agreement, Borrower shall not be in breach of this Section 5.8 unless the aggregate amount of taxes covered by tax returns and reports that have not been timely filed or the aggregate amount of taxes that have not been timely paid in either case exceeds Fifteen Thousand Dollars ($15,000.00).

5.9 Use of Proceeds. Borrower shall use the proceeds of the Credit Extensions solely as working capital and to fund its general business requirements in accordance with the provisions of this Agreement, and not for personal, family, household or agricultural purposes.

5.10 Full Disclosure. No written representation, warranty or other statement of Borrower or any of its Subsidiaries in any certificate or written statement given to Collateral Agent or any Lender, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Collateral Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading (it being recognized that the projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

5.11 Definition of "Knowledge." For purposes of the Loan Documents, whenever a representation or warranty is made to Borrower's knowledge or awareness, to the "best of" Borrower's knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of the Responsible Officers.

6. AFFIRMATIVE COVENANTS

Borrower shall, and shall cause each of its Subsidiaries to, do all of the following:

6.1 Government Compliance.

(a) Maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of organization and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Change. Comply with all laws, ordinances and regulations to which Borrower or any of its Subsidiaries is subject, the noncompliance with which could reasonably be expected to have a Material Adverse Change.

(b) Obtain and keep in full force and effect, all of the Governmental Approvals necessary for the performance by Borrower and its Subsidiaries of their respective businesses and obligations under the Loan Documents and the grant of a security interest to Collateral Agent for the ratable benefit of the Lenders, in all of the Collateral. Borrower shall promptly provide copies to Collateral Agent of any material Governmental Approvals obtained by Borrower or any of its Subsidiaries.

6.2 Financial Statements, Reports, Certificates.

(a) Deliver to each Lender:

(i) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated and consolidating balance sheet, income statement and cash flow statement covering the consolidated operations of Borrower and its Subsidiaries for such month certified by a Responsible Officer and in a form reasonably acceptable to Collateral Agent;

(ii) as soon as available, but no later than one hundred twenty (120) days after the last day of Borrower's fiscal year or within five (5) days of filing with the SEC, audited consolidated financial statements prepared under GAAP, consistently applied, together with an unqualified opinion on the financial statements from an independent certified public accounting firm acceptable to Collateral Agent in its reasonable discretion**;**

(iii) (y) no later than January 31 of each year, Borrower's draft annual financial projections for the entire current fiscal year as presented to Borrower's Board of Directors, which such annual financial projections shall be set forth in a quarter-by-quarter format and (z) as soon as available after approval thereof by Borrower's Board of Directors, but no later than February 28 of each fiscal year, Borrower's annual financial projections for the entire current fiscal year as approved by Borrower's Board of Directors, which such annual financial projections shall be set forth in a month-by-month format (such annual financial projections as originally delivered to Collateral Agent and the Lenders are referred to herein as the "**Annual Projections**"; provided that, any revisions of the Annual Projections approved by Borrower's Board of Directors shall be delivered to Collateral Agent and the Lenders no later than seven (7) days after such approval and the term "Annual Projections" shall include such revisions);

(iv) within five (5) days of delivery, copies of all statements, reports and notices made available to Borrower's security holders or holders of Subordinated Debt;

(v) in the event that Borrower becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days of filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission,

(vi) prompt notice of any amendments of or other changes to the Operating Documents of Borrower or any of its Subsidiaries, together with any copies reflecting such amendments or changes with respect thereto;

(vii) (x) prompt notice of (A) any material change in the composition of the Intellectual Property, and (B) any event that could reasonably be expected to materially and adversely affect the value of the Intellectual Property; and (y) within thirty (30) days after the end of each month, notice of the registration of any copyright, including any subsequent ownership right of Borrower or any of its Subsidiaries in or to any copyright, patent or trademark, including a copy of any such registration;

(viii) as soon as available, but no later than thirty (30) days after the last day of each month, copies of the month-end account statements for each Collateral Account maintained by Borrower or its Subsidiaries, which statements may be provided to Collateral Agent and each Lender by Borrower or directly from the applicable institution(s), and

(ix) other financial information as reasonably requested by Collateral Agent or any Lender.

Notwithstanding the foregoing, documents required to be delivered pursuant to the terms hereof (to the extent any such documents are included in materials otherwise filed with the SEC) may be delivered electronically and if so delivered, shall be deemed to have been delivered on the date on which Borrower posts such documents, or provides a link thereto, on Borrower's website on the internet at Borrower's website address.

(b) Concurrently with the delivery of the financial statements specified in Section 6.2(a)(i) above but no later than thirty (30) days after the last day of each month, deliver to each Lender, a duly completed Compliance Certificate signed by a Responsible Officer.

(c) Keep proper books of record and account in accordance with GAAP in all material respects, in which full, true and correct entries shall be made of all dealings and transactions in relation to its business and activities. Borrower shall, and shall cause each of its Subsidiaries to, allow, at the sole cost of Borrower, Collateral Agent or any Lender, during regular business hours upon reasonable prior notice (provided that no notice shall be required when an Event of Default has occurred and is continuing), to visit and inspect any of its properties, to examine and make abstracts or copies from any of its books and records, and to conduct a collateral audit and analysis of its operations and the Collateral. Such audits shall be conducted no more often than twice every year unless (and more frequently if) an Event of Default has occurred and is continuing.

6.3 Inventory; Returns. Keep all Inventory, material to Borrower's business, in good and marketable condition, free from material defects. Returns and allowances between Borrower, or any of its Subsidiaries, and their respective Account Debtors shall follow Borrower's, or such Subsidiary's, customary practices as they exist at the Effective Date. Borrower must promptly notify Collateral Agent and the Lenders of all returns, recoveries, disputes and claims that involve more than Two Hundred Fifty Thousand Dollars ($250,000.00) individually or in the aggregate in any calendar year.

6.4 Taxes; Pensions. Timely file and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely file, all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower or its Subsidiaries, except for deferred payment of any taxes contested permitted under Section 5.8 hereof, and shall deliver to Lenders, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with the terms of such plans. Notwithstanding anything to the contrary contained in this Agreement, Borrower shall not be in breach of this Section 6.4 unless the aggregate amount of taxes covered by tax returns and reports that have not been timely filed or the aggregate amount of taxes that have not been timely paid in either case exceeds Fifteen Thousand Dollars ($15,000.00).

6.5 Insurance. Keep Borrower's and its Subsidiaries' business and the Collateral insured for risks and in amounts standard for companies in Borrower's and its Subsidiaries' industry and location and as Collateral Agent may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are reasonably satisfactory to Collateral Agent and Lenders. All property policies shall have a lender's loss payable endorsement showing Collateral Agent as lender loss payee and waive subrogation against Collateral Agent, and all liability policies shall show, or have endorsements showing, Collateral Agent, as additional insured. The Collateral Agent shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral, and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Collateral Agent, that it will give the Collateral Agent thirty (30) days prior written notice before any such policy or policies shall be materially altered or canceled. At Collateral Agent's request, Borrower shall deliver certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Collateral Agent's option, be payable to Collateral Agent, for the ratable benefit of the Lenders, on account of the Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy up to Two Hundred Fifty Thousand Dollars ($250,000.00) with respect to any loss, but not exceeding Five Hundred Thousand Dollars ($500,000.00), in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral or otherwise useful in the Borrower's business, and (ii) shall be deemed Collateral in which Collateral Agent has been granted a first priority security interest, subject only to Permitted Liens, and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Collateral Agent, be payable to Collateral Agent, for the ratable benefit of the Lenders, on account of the Obligations. If Borrower or any of its Subsidiaries fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons, Collateral Agent and/or any Lender may make, at Borrower's expense, all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Collateral Agent or such Lender deems prudent.

6.6 Operating Accounts.

(a) Maintain all of Borrower's and its Subsidiaries' Collateral Accounts in accounts which are subject to a Control Agreement in favor of Collateral Agent, other than the Excluded Accounts.

(b) Borrower shall provide Collateral Agent five (5) days' prior written notice before Borrower or any of its Subsidiaries establishes any Collateral Account at or with any Person other than Silicon Valley Bank or UBS. In addition, for each Collateral Account that Borrower or any of its Subsidiaries, at any time maintains, Borrower or such Subsidiary shall cause the applicable bank or financial institution at or with which such Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Collateral Agent's and the Lenders' Liens in such Collateral Account in accordance with the terms hereunder prior to the establishment of such Collateral Account, which Control Agreement may not be terminated without prior written consent of Collateral Agent. The provisions of the previous sentence shall not apply to the Excluded Accounts.

(c) Neither Borrower nor any of its Subsidiaries shall maintain any Collateral Accounts except Collateral Accounts maintained in accordance with Sections 6.6(a) and (b).

6.7 Protection of Intellectual Property Rights. Borrower and each of its Subsidiaries shall: (a) use commercially reasonable efforts to protect, defend and maintain the validity and enforceability of its Intellectual Property that is material to Borrower's business; (b) promptly advise Collateral Agent in writing of material infringement by a third party of its Intellectual Property; and (c) not allow any Intellectual Property material to Borrower's business to be abandoned, forfeited or dedicated to the public without Collateral Agent's prior written consent.

6.8 Litigation Cooperation. Commencing on the Effective Date and continuing through the termination of this Agreement, make available to Collateral Agent and the Lenders, without expense to Collateral Agent or the Lenders, Borrower and each of Borrower's officers, employees and agents and Borrower's Books, to the extent that Collateral Agent or any Lender may reasonably deem them necessary to prosecute or defend any third-party suit or proceeding instituted by or against Collateral Agent or any Lender with respect to any Collateral or relating to Borrower.

6.9 Notices of Litigation and Default. Borrower will give prompt written notice to Collateral Agent and the Lenders of any litigation or governmental proceedings pending or threatened (in writing) against Borrower or any of its Subsidiaries, which could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of Two Hundred Fifty Thousand Dollars ($250,000.00) or more or which could reasonably be expected to have a Material Adverse Change. Without limiting or contradicting any other more specific provision of this Agreement, promptly (and in any event within three (3) Business Days) upon Borrower becoming aware of the existence of any Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default, Borrower shall give written notice to Collateral Agent and the Lenders of such occurrence, which such notice shall include a reasonably detailed description of such Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default.

6.10 Intentionally Omitted.

6.11 Landlord Waivers; Bailee Waivers. In the event that Borrower or any of its Subsidiaries, after the Effective Date, intends to add any new offices or business locations, including warehouses, or otherwise store any portion of the Collateral with, or deliver any portion of the Collateral to, a bailee, in each case pursuant to Section 7.2, then Borrower or such Subsidiary will first receive the written consent of Collateral Agent and, in the event that the Collateral at any new location is valued in excess of Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate, such bailee or landlord, as applicable, must execute and deliver a bailee waiver or landlord waiver, as applicable, in form and substance reasonably satisfactory to Collateral Agent prior to the addition of any new offices or business locations, or any such storage with or delivery to any such bailee, as the case may be.

6.12 Creation/Acquisition of Subsidiaries. In the event Borrower, or any of its Subsidiaries creates or acquires any Subsidiary, Borrower shall provide prior written notice to Collateral Agent and each Lender of the creation or acquisition of such new Subsidiary and take all such action as may be reasonably required by Collateral Agent or any Lender to cause each such Subsidiary to become a co-Borrower hereunder or to guarantee the Obligations of Borrower under the Loan Documents and, in each case, grant a continuing pledge and security interest in and to the assets of such Subsidiary (substantially as described on Exhibit A hereto); and Borrower (or its Subsidiary, as applicable) shall grant and pledge to Collateral Agent, for the ratable benefit of the Lenders, a perfected security interest in the stock, units or other evidence of ownership of each such newly created Subsidiary; provided, however, that solely in the circumstance in which Borrower or any Subsidiary creates or acquires a Foreign Subsidiary in an acquisition permitted hereunder or otherwise approved by the Required Lenders, (i) such Foreign Subsidiary shall not be required to guarantee the Obligations of Borrower under the Loan Documents and grant a continuing pledge and security interest in and to the assets of such Foreign Subsidiary, and (ii) Borrower shall not be required to grant and pledge to Collateral Agent, or the Lenders, a perfected security interest in more than sixty-five percent (65%) of the stock, units or other evidence of ownership of such Foreign Subsidiary, if Borrower demonstrates to the reasonable satisfaction of Collateral Agent that such Foreign Subsidiary providing such guarantee or pledge and security interest or Borrower providing a perfected security interest in more than sixty-five percent (65%) of the stock, units or other evidence of ownership would create a present and existing adverse tax consequence to Borrower under the U.S. Internal Revenue Code.

6.13 Further Assurances.

(a) Execute any further instruments and take further action as Collateral Agent or any Lender reasonably requests to perfect or continue Collateral Agent's and the Lenders' Liens in the Collateral or to effect the purposes of this Agreement.

(b) Deliver to Collateral Agent and Lenders, within five (5) days after the same are sent or received, copies of all material correspondence, reports, documents and other filings with any Governmental Authority that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals material to Borrower's business or otherwise could reasonably be expected to have a Material Adverse Change.

7. NEGATIVE COVENANTS

Borrower shall not, and shall not permit any of its Subsidiaries to, do any of the following without the prior written consent of the Required Lenders:

7.1 Dispositions. Convey, sell, lease, transfer, assign, dispose of or otherwise make cash payments consisting of (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) consisting of cash payments to trade creditors in the ordinary course of business; (b) of Inventory in the ordinary course of business; (c) of worn-out or obsolete Equipment; (d) in connection with Permitted Liens, Permitted Investments and Permitted Licenses; (e) Transfers in addition to those specifically enumerated above, to the extent the same are specifically reflected in the Annual Projections; and (f) other Transfers of property having a fair market value not in excess of One Hundred Thousand Dollars ($100,000.00) per fiscal year.

7.2 Changes in Business, Management, Ownership, or Business Locations. (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses engaged in by Borrower as of the Effective Date or reasonably related thereto; (b) liquidate or dissolve, provided that any Subsidiary may liquidate or dissolve into Borrower; or (c) (i) any Key Person shall cease to be actively engaged in the management of Borrower unless a replacement for such Key Person is approved by Borrower's Board of Directors and engaged by Borrower within one hundred eighty (180) days of such change (it being understood, for the avoidance of doubt, that the appointment of an interim replacement for such Key Person shall satisfy the foregoing), or (ii) enter into any transaction or series of related transactions in which the stockholders of Borrower who were not stockholders immediately prior to the first such transaction own more than forty nine percent (49%) of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower's equity securities in a public offering, a private placement of public equity or to venture capital investors so long as Borrower identifies to Collateral Agent the venture capital investors prior to the closing of the transaction). Borrower shall not, without at least fifteen (15) days' (or such shorter period to which the Lenders shall consent) prior written notice to Collateral Agent: (A) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Two Hundred Fifty Thousand Dollars ($250,000.00) in assets or property of Borrower or any of its Subsidiaries); (B) change its jurisdiction of organization, (C) change its organizational structure or type, (D) change its legal name, or (E) change any organizational number (if any) assigned by its jurisdiction of organization.

7.3 Mergers or Acquisitions. Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, shares or property of another Person; provided that a Subsidiary may merge or consolidate into another Subsidiary (provided such surviving Subsidiary is a "co-Borrower" hereunder or has provided a secured Guaranty of Borrower's Obligations hereunder) or with (or into) Borrower provided Borrower is the surviving legal entity, and as long as no Event of Default is occurring prior thereto or arises as a result therefrom. Without limiting the foregoing, Borrower shall not, without Collateral Agent's prior written consent, enter into any binding contractual arrangement with any Person to attempt to facilitate a merger or acquisition of Borrower, unless (i) no Event of Default exists when such agreement is entered into by Borrower, (ii) such agreement does not give such Person the right to claim any fee, payment or damages in excess of One Hundred Thousand Dollars ($100,000.00) from any parties, other than from Borrower or Borrower's investors, in connection with a sale of Borrower's stock or assets pursuant to or resulting from an assignment for the benefit of creditors, an asset turnover to Borrower's creditors (including, without limitation, Collateral Agent and/or the Lenders), foreclosure, bankruptcy or similar liquidation, and (iii) Borrower notifies Collateral Agent in advance of entering into such an agreement.

7.4 Indebtedness. Create, incur, assume, or be liable for any Indebtedness, or permit any Subsidiary to do so, other than Permitted Indebtedness.

7.5 Encumbrance. Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein (except for Permitted Liens that are permitted by the terms of this Agreement, or by operation of law, to have priority over Collateral Agent's and the Lenders' Liens), or enter into any agreement, document, instrument or other arrangement (except with or in favor of Collateral Agent, for the ratable benefit of the Lenders) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower, or any of its Subsidiaries, from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower's or such Subsidiary's Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of "Permitted Liens" herein.

7.6 Maintenance of Collateral Accounts. Maintain any Collateral Account except pursuant to the terms of Section 6.6 hereof.

7.7 Distributions; Investments. (a) Pay any dividends or make any distribution or payment in respect of or redeem, retire or purchase any capital stock other than (i) other than dividends payable solely in capital stock; (ii) repurchases pursuant to the terms of employee stock purchase plans, employee restricted stock agreements, stockholder rights plans, director or consultant stock option plans, or similar plans, provided such repurchases do not exceed One Hundred Thousand Dollars ($100,000.00) in the aggregate per fiscal year); and (iii) dividends, distributions or payments by any Subsidiary to Borrower; or (b) directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so.

7.8 Transactions with Affiliates. Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower or any of its Subsidiaries, except for (a) transactions that are in the ordinary course of Borrower's or such Subsidiary's business, upon fair and reasonable terms that are no less favorable to Borrower or such Subsidiary than would be obtained in an arm's length transaction with a non affiliated Person, (b) Subordinated Debt or equity investments by Borrower's investors in Borrower or its Subsidiaries, and (c) transactions permitted by Sections 7.1, 7.3, or 7.7.

7.9 Subordinated Debt. (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to the Lenders.

7.10 Compliance. Become an "investment company" or a company controlled by an "investment company", under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Credit Extension for that purpose; fail to meet the minimum funding requirements of ERISA, permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a Material Adverse Change, or permit any of its Subsidiaries to do so; withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

7.11 Compliance with Anti-Terrorism Laws. Collateral Agent hereby notifies Borrower and each of its Subsidiaries that pursuant to the requirements of Anti-Terrorism Laws, and Collateral Agent's policies and practices, Collateral Agent is required to obtain, verify and record certain information and documentation that identifies Borrower and each of its Subsidiaries and their principals, which information includes the name and address of Borrower and each of its Subsidiaries and their principals and such other information that will allow Collateral Agent to identify such party in accordance with Anti-Terrorism Laws. Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Borrower and each of its Subsidiaries shall immediately notify Collateral Agent if Borrower or such Subsidiary has knowledge that Borrower, or any Subsidiary or Affiliate of Borrower, is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering. Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries, permit any Affiliate to, directly or indirectly, (i) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law, or (iii) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

8. EVENTS OF DEFAULT

Any one of the following shall constitute an event of default (an "**Event of Default**") under this Agreement:

8.1 Payment Default. Borrower fails to (a) make any payment of principal or interest on any Credit Extension on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace period shall not apply to payments due on the Maturity Date or the date of acceleration pursuant to Section 9.1 (a) hereof). During the cure period, the failure to cure the payment default is not an Event of Default (but no Credit Extension will be made during the cure period);

8.2 Covenant Default.

(a) Borrower or any of its Subsidiaries fails or neglects to perform any obligation in Sections 6.2 (Financial Statements, Reports, Certificates), 6.4 (Taxes), 6.5 (Insurance), 6.6 (Operating Accounts), 6.7 (Protection of Intellectual Property Rights), 6.9 (Notice of Litigation and Default), 6.12 (Creation/Acquisition of Subsidiaries) or 6.13 (Further Assurances) or Borrower violates any covenant in Section 7; or

(b) Borrower, or any of its Subsidiaries, fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any Loan Documents, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Credit Extensions shall be made during such cure period). Grace periods provided under this Section shall not apply, among other things, to financial covenants or any other covenants set forth in subsection (a) above;

8.3 Material Adverse Change. A Material Adverse Change occurs;

8.4 Attachment; Levy; Restraint on Business.

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or any of its Subsidiaries or of any entity under control of Borrower or its Subsidiaries on deposit with any Lender or any Lender's Affiliate or any bank or other institution at which Borrower or any of its Subsidiaries maintains a Collateral Account, or (ii) a notice of lien, levy, or assessment is filed against Borrower or any of its Subsidiaries or their respective assets by any government agency, and the same under subclauses (i) and (ii) hereof are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); provided, however, no Credit Extensions shall be made during any ten (10) day cure period; and

(b) (i) any material portion of Borrower's or any of its Subsidiaries' assets is attached, seized, levied on, or comes into possession of a trustee or receiver, or (ii) any court order enjoins, restrains, or prevents Borrower or any of its Subsidiaries from conducting any part of its business;

8.5 Insolvency. (a) Borrower or any of its Subsidiaries is or becomes Insolvent; (b) Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower or any of its Subsidiaries and not dismissed or stayed within forty-five (45) days (but no Credit Extensions shall be made while Borrower or any Subsidiary is Insolvent and/or until any Insolvency Proceeding is dismissed);

8.6 Other Agreements. There is a default in any agreement to which Borrower or any of its Subsidiaries is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of Two Hundred Thousand Dollars ($250,000.00) or that could reasonably be expected to have a Material Adverse Change;

8.7 Judgments. One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least Two Hundred Thousand Dollars ($250,000.00) (not covered by independent third-party insurance as to which liability has been accepted by such insurance carrier) shall be rendered against Borrower or any of its Subsidiaries and shall remain unsatisfied, unvacated, or unstayed for a period of ten (10) days after the entry thereof (provided that no Credit Extensions will be made prior to the satisfaction, vacation, or stay of such judgment, order or decree);

8.8 Misrepresentations. Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Collateral Agent and/or Lenders or to induce Collateral Agent and/or the Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement is incorrect in any material respect when made;

8.9 Subordinated Debt. A default or breach occurs under any agreement between Borrower or any of its Subsidiaries and any creditor of Borrower or any of its Subsidiaries that signed a subordination, intercreditor, or other similar agreement with Collateral Agent or the Lenders, or any creditor that has signed such an agreement with Collateral Agent or the Lenders breaches any terms of such agreement;

8.10 Guaranty. (a) Any Guaranty terminates or ceases for any reason to be in full force and effect except as permitted under the Loan Documents; (b) any Guarantor does not perform any obligation or covenant under any Guaranty; (c) any circumstance described in Sections 8.3, 8.4, 8.5, 8.7, or 8.8 occurs with respect to any Guarantor, or (d) the death, liquidation, winding up, or termination of existence of any Guarantor except as permitted hereunder;

8.11 Governmental Approvals. Any Governmental Approval shall have been revoked, rescinded, suspended, modified in an adverse manner, or not renewed in the ordinary course for a full term *and* such revocation, rescission, suspension, modification or non-renewal has resulted in or could reasonably be expected to result in a Material Adverse Change; or

8.12 Lien Priority. Any Lien created hereunder or by any other Loan Document shall at any time fail to constitute a valid and perfected Lien on any of the Collateral purported to be secured thereby, subject to no prior or equal Lien, other than Permitted Liens which are permitted to have priority in accordance with the terms of this Agreement, or by operation of law.

9. RIGHTS AND REMEDIES

9.1 Rights and Remedies.

(a) Upon the occurrence and during the continuance of an Event of Default, Collateral Agent may, and at the written direction of any Lender shall, without notice or demand, do any or all of the following: (i) deliver notice of the Event of Default to Borrower, (ii) by notice to Borrower declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations shall be immediately due and payable without any action by Collateral Agent or the Lenders) or (iii) by notice to Borrower suspend or terminate the obligations, if any, of the Lenders to advance money or extend credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders (but if an Event of Default described in Section 8.5 occurs all obligations, if any, of the Lenders to advance money or extend credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders shall be immediately terminated without any action by Collateral Agent or the Lenders).

(b) Without limiting the rights of Collateral Agent and the Lenders set forth in Section 9.1(a) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right, without notice or demand, to do any or all of the following:

(i) foreclose upon and/or sell or otherwise liquidate, the Collateral;

(ii) apply to the Obligations any (a) balances and deposits of Borrower that Collateral Agent or any Lender holds or controls, or (b) any amount held or controlled by Collateral Agent or any Lender owing to or for the credit or the account of Borrower; and/or

(iii) commence and prosecute an Insolvency Proceeding in accordance with applicable law or consent to Borrower commencing any Insolvency Proceeding.

(c) Without limiting the rights of Collateral Agent and the Lenders set forth in Sections 9.1(a) and (b) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right, without notice or demand, to do any or all of the following:

(i) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Collateral Agent considers advisable, notify any Person owing Borrower money of Collateral Agent's security interest in such funds, and verify the amount of such account;

(ii) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its security interest in the Collateral. Borrower shall assemble the Collateral if Collateral Agent requests and make it available in a location as Collateral Agent reasonably designates. Collateral Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Collateral Agent a license to enter and occupy any of its premises, without charge, to exercise any of Collateral Agent's rights or remedies;

(iii) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, and/or advertise for sale, the Collateral. Collateral Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's and each of its Subsidiaries' labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Collateral Agent's exercise of its rights under this Section 9.1, Borrower's and each of its Subsidiaries' rights under all licenses and all franchise agreements inure to Collateral Agent, for the benefit of the Lenders;

(iv) place a "hold" on any account maintained with Collateral Agent or the Lenders and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(v) demand and receive possession of Borrower's Books;

(vi) appoint a receiver to seize, manage and realize any of the Collateral, and such receiver shall have any right and authority as any competent court will grant or authorize in accordance with any applicable law, including any power or authority to manage the business of Borrower or any of its Subsidiaries; and

(vii) subject to clauses 9.1(a) and (b), exercise all rights and remedies available to Collateral Agent and each Lender under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

Notwithstanding any provision of this Section 9.1 to the contrary, upon the occurrence of any Event of Default, Collateral Agent shall have the right to exercise any and all remedies referenced in this Section 9.1 without the written consent of Required Lenders following the occurrence of an Exigent Circumstance. As used in the immediately preceding sentence, "**Exigent Circumstance**" means any event or circumstance that, in the reasonable judgment of Collateral Agent, imminently threatens the ability of Collateral Agent to realize upon all or any material portion of the Collateral, such as, without limitation, fraudulent removal, concealment, or abscondment thereof, destruction or material waste thereof, or failure of Borrower or any of its Subsidiaries after reasonable demand to maintain or reinstate adequate casualty insurance coverage, or which, in the judgment of Collateral Agent, could reasonably be expected to result in a material diminution in value of the Collateral.

9.2 Power of Attorney. Borrower hereby irrevocably appoints Collateral Agent as its lawful attorney-in-fact, exercisable upon the occurrence and during the continuance of an Event of Default, to: (a) endorse Borrower's or any of its Subsidiaries' name on any checks or other forms of payment or security; (b) sign Borrower's or any of its Subsidiaries' name on any invoice or bill of lading for any Account or drafts against Account Debtors; (c) settle and adjust disputes and claims about the Accounts directly with Account Debtors, for amounts and on terms Collateral Agent determines reasonable; (d) make, settle, and adjust all claims under Borrower's insurance policies; (e) pay, contest or settle any Lien, charge, encumbrance, security interest, and adverse claim in or to the Collateral, or any judgment based thereon, or otherwise take any action to terminate or discharge the same; and (f) transfer the Collateral into the name of Collateral Agent or a third party as the Code or any applicable law permits. Borrower hereby appoints Collateral Agent as its lawful attorney-in-fact to sign Borrower's or any of its Subsidiaries' name on any documents necessary to perfect or continue the perfection of Collateral Agent's security interest in the Collateral regardless of whether an Event of Default has occurred until all Obligations (other than inchoate indemnity obligations) have been satisfied in full and Collateral Agent and the Lenders are under no further obligation to make Credit Extensions hereunder. Collateral Agent's foregoing appointment as Borrower's or any of its Subsidiaries' attorney in fact, and all of Collateral Agent's rights and powers, coupled with an interest, are irrevocable until all Obligations (other than inchoate indemnity obligations) have been fully repaid and performed and Collateral Agent's and the Lenders' obligation to provide Credit Extensions terminates.

9.3 Protective Payments. If Borrower or any of its Subsidiaries fail to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower or any of its Subsidiaries is obligated to pay under this Agreement or any other Loan Document, Collateral Agent may obtain such insurance or make such payment, and all amounts so paid by Collateral Agent are Lenders' Expenses and immediately due and payable, bearing interest at the Default Rate, and secured by the Collateral. Collateral Agent will make reasonable efforts to provide Borrower with notice of Collateral Agent obtaining such insurance or making such payment at the time it is obtained or paid or within a reasonable time thereafter. No such payments by Collateral Agent are deemed an agreement to make similar payments in the future or Collateral Agent's waiver of any Event of Default.

9.4 Application of Payments and Proceeds. Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) Borrower irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Collateral Agent from or on behalf of Borrower or any of its Subsidiaries of all or any part of the Obligations, and, as between Borrower on the one hand and Collateral Agent and Lenders on the other, Collateral Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received against the Obligations in such manner as Collateral Agent may deem advisable notwithstanding any previous application by Collateral Agent, and (b) the proceeds of any sale of, or other realization upon all or any part of the Collateral shall be applied: first, to the Lenders' Expenses; second, to accrued and unpaid interest on the Obligations (including any interest which, but for the provisions of the United States Bankruptcy Code, would have accrued on such amounts); third, to the principal amount of the Obligations outstanding; and fourth, to any other indebtedness or obligations of Borrower owing to Collateral Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrower or to whoever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category, and (y) each of the Persons entitled to receive a payment in any particular category shall receive an amount equal to its pro rata share of amounts available to be applied pursuant thereto for such category. Any reference in this Agreement to an allocation between or sharing by the Lenders of any right, interest or obligation "ratably," "proportionally" or in similar terms shall refer to Pro Rata Share unless expressly provided otherwise. Collateral Agent, or if applicable, each Lender, shall promptly remit to the other Lenders such sums as may be necessary to ensure the ratable repayment of each Lender's portion of any Term Loan and the ratable distribution of interest, fees and reimbursements paid or made by Borrower. Notwithstanding the foregoing, a Lender receiving a scheduled payment shall not be responsible for determining whether the other Lenders also received their scheduled payment on such date; provided, however, if it is later determined that a Lender received more than its ratable share of scheduled payments made on any date or dates, then such Lender shall remit to Collateral Agent or other Lenders such sums as may be necessary to ensure the ratable payment of such scheduled payments, as instructed by Collateral Agent. If any payment or distribution of any kind or character, whether in cash, properties or securities, shall be received by a Lender in excess of its ratable share, then the portion of such payment or distribution in excess of such Lender's ratable share shall be received by such Lender in trust for and shall be promptly paid over to the other Lender for application to the payments of amounts due on the other Lenders' claims. To the extent any payment for the account of Borrower is required to be returned as a voidable transfer or otherwise, the Lenders shall contribute to one another as is necessary to ensure that such return of payment is on a pro rata basis. If any Lender shall obtain possession of any Collateral, it shall hold such Collateral for itself and as agent and bailee for Collateral Agent and other Lenders for purposes of perfecting Collateral Agent's security interest therein.

9.5 Liability for Collateral. So long as Collateral Agent and the Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Collateral Agent and the Lenders, Collateral Agent and the Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

9.6 No Waiver; Remedies Cumulative. Failure by Collateral Agent or any Lender, at any time or times, to require strict performance by Borrower of any provision of this Agreement or any other Loan Document shall not waive, affect, or diminish any right of Collateral Agent or any Lender thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Collateral Agent and the Required Lenders and then is only effective for the specific instance and purpose for which it is given. The rights and remedies of Collateral Agent and the Lenders under this Agreement and the other Loan Documents are cumulative. Collateral Agent and the Lenders have all rights and remedies provided under the Code, any applicable law, by law, or in equity. The exercise by Collateral Agent or any Lender of one right or remedy is not an election, and Collateral Agent's or any Lender's waiver of any Event of Default is not a continuing waiver. Collateral Agent's or any Lender's delay in exercising any remedy is not a waiver, election, or acquiescence.

9.7 Demand Waiver. Borrower waives, to the fullest extent permitted by law, demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Collateral Agent or any Lender on which Borrower or any Subsidiary is liable.

10. NOTICES

All notices, consents, requests, approvals, demands, or other communication (collectively, "**Communication**") by any party to this Agreement or any other Loan Document must be in writing and shall be deemed to have been validly served, given, or delivered: (a) upon the earlier of actual receipt and three (3) Business Days after deposit in the U.S. mail, first class, registered or certified mail return receipt requested, with proper postage prepaid; (b) upon transmission, when sent by facsimile transmission; (c) one (1) Business Day after deposit with a reputable overnight courier with all charges prepaid; or (d) when delivered, if hand-delivered by messenger, all of which shall be addressed to the party to be notified and sent to the address, facsimile number, or email address indicated below. Any of Collateral Agent, Lender or Borrower may change its mailing address or facsimile number by giving the other party written notice thereof in accordance with the terms of this Section 10.

If to Borrower: CELSION CORPORATION
997 Lenox Drive, Suite 100
Lawrenceville, New Jersey 08648
Attn: Chief Executive Officer
Fax: (609) 896-2200
Email: mtardugno@celsion.com

with a copy (which shall not constitute notice) to:	O'Melveny & Myers LLP 2765 Sand Hill Road Menlo Park, CA 94025 Attn: Samuel Zucker Fax: (650) 473-2601 Email:szucker@omm.com
If to Collateral Agent:	OXFORD FINANCE LLC 133 North Fairfax Street Alexandria, Virginia 22314 Attention: Legal Department Fax: (703) 519-5225 Email: LegalDepartment@oxfordfinance.com
with a copy to	HORIZON TECHNOLOGY FINANCE CORPORATION 312 Farmington Avenue Farmington, Connecticut 06032 Attn: Legal Department Fax: (860) 676-8655 Email: jay@horizontechfinance.com
with a copy (which shall not constitute notice) to:	DLA Piper LLP (US) 4365 Executive Drive, Suite 1100 San Diego, California 92121-2133 Attn: Troy Zander Fax: (858) 638-5086 troy.zander@dlapiper.com

11. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

New York law governs the Loan Documents without regard to principles of conflicts of law. Borrower, Lenders and Collateral Agent each submit to the exclusive jurisdiction of the State and Federal courts in the City of New York, Borough of Manhattan. NOTWITHSTANDING THE FOREGOING, COLLATERAL AGENT AND THE LENDERS SHALL HAVE THE RIGHT TO BRING ANY ACTION OR PROCEEDING AGAINST BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTION WHICH COLLATERAL AGENT AND THE LENDERS (IN ACCORDANCE WITH THE PROVISIONS OF SECTION 9.1) DEEM NECESSARY OR APPROPRIATE TO REALIZE ON THE COLLATERAL OR TO OTHERWISE ENFORCE COLLATERAL AGENT'S AND THE LENDERS' RIGHTS AGAINST BORROWER OR ITS PROPERTY. Borrower expressly submits and consents in advance to such jurisdiction in any action or suit commenced in any such court, and Borrower hereby waives any objection that it may have based upon lack of personal jurisdiction, improper venue, or forum non conveniens and hereby consents to the granting of such legal or equitable relief as is deemed appropriate by such court. Borrower hereby waives personal service of the summons, complaints, and other process issued in such action or suit and agrees that service of such summons, complaints, and other process may be made by registered or certified mail addressed to Borrower at the address set forth in, or subsequently provided by Borrower in accordance with, Section 10 of this Agreement and that service so made shall be deemed completed upon the earlier to occur of Borrower's actual receipt thereof or three (3) days after deposit in the U.S. mails, first class, registered or certified mail return receipt requested, proper postage prepaid.

TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, BORROWER, COLLATERAL AGENT, AND THE LENDERS EACH WAIVE THEIR RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION ARISING OUT OF OR BASED UPON THIS AGREEMENT, THE LOAN DOCUMENTS OR ANY CONTEMPLATED TRANSACTION, INCLUDING CONTRACT, TORT, BREACH OF DUTY AND ALL OTHER CLAIMS. THIS WAIVER IS A MATERIAL INDUCEMENT FOR EACH PARTY TO ENTER INTO THIS AGREEMENT. EACH PARTY HAS REVIEWED THIS WAIVER WITH ITS COUNSEL.

12. GENERAL PROVISIONS

12.1 Successors and Assigns. This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not transfer, pledge or assign this Agreement or any rights or obligations under it without Collateral Agent's and each Lender's prior written consent (which may be granted or withheld in Collateral Agent's and each Lender's discretion, subject to Section 12.6). The Lenders have the right, without the consent of or notice to Borrower, to sell, transfer, assign, pledge, negotiate, or grant participation in **(any** such sale, transfer, assignment, negotiation**,** or grant of a participation, a **"Lender Transfer")** all or any part of, or any interest in, the Lenders' obligations, rights, and benefits under this Agreement and the other Loan Documents; *provided*, *however*, that any such Lender Transfer (other than a transfer, pledge, sale or assignment to an Eligible Assignee) of its obligations, rights, and benefits under this Agreement and the other Loan Documents shall require the prior written consent of the Required Lenders (such approved assignee, an "**Approved Lender**")**.** Borrower and Collateral Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned until Collateral Agent shall have received and accepted an effective assignment agreement in form satisfactory to Collateral Agent executed, delivered and fully completed by the applicable parties thereto, and shall have received such other information regarding such Eligible Assignee or Approved Lender as Collateral Agent reasonably shall require. Notwithstanding anything to the contrary contained herein, so long as no Event of Default has occurred and is continuing, no Lender Transfer (other than a Lender Transfer (i) in respect of the Warrants or (ii) in connection with (x) assignments by a Lender due to a forced divestiture at the request of any regulatory agency; or (y) upon the occurrence of a default, event of default or similar occurrence with respect to a Lender's own financing or securitization transactions) shall be permitted, without Borrower's consent, to any Person which is an Affiliate or Subsidiary of Borrower, a direct competitor of Borrower or a vulture hedge fund, each as determined by Collateral Agent.

12.2 Indemnification. Borrower agrees to indemnify, defend and hold Collateral Agent and the Lenders and their respective directors, officers, employees, agents, attorneys, or any other Person affiliated with or representing Collateral Agent or the Lenders (each, an "**Indemnified Person**") harmless against: (a) all obligations, demands, claims, and liabilities (collectively, "**Claims**") asserted by any other Person in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents; and (b) all losses or Lenders' Expenses incurred, or paid by Indemnified Person in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents between Collateral Agent, and/or the Lenders and Borrower (including reasonable attorneys' fees and expenses), except for Claims and/or losses directly caused by any Indemnified Person's gross negligence or willful misconduct. Borrower hereby further indemnifies, defends and holds each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnified Person) in connection with any investigative, response, remedial, administrative or judicial matter or proceeding, whether or not such Indemnified Person shall be designated a party thereto and including any such proceeding initiated by or on behalf of Borrower, and the reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and any commission, fee or compensation claimed by any broker (other than any broker retained by Collateral Agent or Lenders) asserting any right to payment for the transactions contemplated hereby which may be imposed on, incurred by or asserted against such Indemnified Person as a result of or in connection with the transactions contemplated hereby and the use or intended use of the proceeds of the loan proceeds except for liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements directly caused by such Indemnified Person's gross negligence or willful misconduct.

12.3 Time of Essence. Time is of the essence for the performance of all Obligations in this Agreement.

12.4 Severability of Provisions. Each provision of this Agreement is severable from every other provision in determining the enforceability of any provision.

12.5 Correction of Loan Documents. Collateral Agent and the Lenders may correct patent errors and fill in any blanks in this Agreement and the other Loan Documents consistent with the agreement of the parties so long as Collateral Agent provides Borrower with written notice of such correction and allows Borrower at least ten (10) days to object to such correction. In the event of such objection, such correction shall not be made except by an amendment signed by Collateral Agent, the Lenders and Borrower**.**

12.6 Amendments in Writing; Integration. (a) No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, or any consent to any departure by Borrower or any of its Subsidiaries therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, Collateral Agent and the Required Lenders provided that:

(i) no such amendment, waiver or other modification that would have the effect of increasing or reducing a Lender's Term Loan Commitment or Commitment Percentage shall be effective as to such Lender without such Lender's written consent;

(ii) no such amendment, waiver or modification that would affect the rights and duties of Collateral Agent shall be effective without Collateral Agent's written consent or signature;

(iii) no such amendment, waiver or other modification shall, unless signed by all the Lenders directly affected thereby, (A) reduce the principal of, rate of interest on or any fees with respect to any Term Loan or forgive any principal, interest (other than default interest) or fees (other than late charges) with respect to any Term Loan (B) postpone the date fixed for, or waive, any payment of principal of any Term Loan or of interest on any Term Loan (other than default interest) or any fees provided for hereunder (other than late charges or for any termination of any commitment); (C) change the definition of the term "Required Lenders" or the percentage of Lenders which shall be required for the Lenders to take any action hereunder; (D) release all or substantially all of any material portion of the Collateral, authorize Borrower to sell or otherwise dispose of all or substantially all or any material portion of the Collateral or release any Guarantor of all or any portion of the Obligations or its guaranty obligations with respect thereto, except, in each case with respect to this clause (D), as otherwise may be expressly permitted under this Agreement or the other Loan Documents (including in connection with any disposition permitted hereunder); (E) amend, waive or otherwise modify this Section 12.6 or the definitions of the terms used in this Section 12.6 insofar as the definitions affect the substance of this Section 12.6; (F) consent to the assignment, delegation or other transfer by Borrower of any of its rights and obligations under any Loan Document or release Borrower of its payment obligations under any Loan Document, except, in each case with respect to this clause (F), pursuant to a merger or consolidation permitted pursuant to this Agreement; (G) amend any of the provisions of Section 9.4 or amend any of the definitions of Pro Rata Share, Term Loan Commitment, Commitment Percentage or that provide for the Lenders to receive their Pro Rata Shares of any fees, payments, setoffs or proceeds of Collateral hereunder; or (H) subordinate the Liens granted in favor of Collateral Agent securing the Obligations. It is hereby understood and agreed that all Lenders shall be deemed directly affected by an amendment, waiver or other modification of the type described in the preceding clauses (C), (D), (E), (F), (G) and (H) of the preceding sentence;

(iv) the provisions of the foregoing clauses (i), (ii) and (iii) are subject to the provisions of any interlender or agency agreement among the Lenders and Collateral Agent pursuant to which any Lender may agree to give its consent in connection with any amendment, waiver or modification of the Loan Documents only in the event of the unanimous agreement of all Lenders.

(b) Other than as expressly provided for in Section 12.6(a)(i)-(iii), Collateral Agent may, if requested by the Required Lenders, from time to time designate covenants in this Agreement less restrictive by notification to a representative of Borrower.

(c) This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

12.7 Counterparts. This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement.

12.8 Survival. All covenants, representations and warranties made in this Agreement continue in full force and effect until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.2 to indemnify each Lender and Collateral Agent, as well as the confidentiality provisions in Section 12.9 below, shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

12.9 Confidentiality. In handling any confidential information of Borrower, the Lenders and Collateral Agent shall exercise the same degree of care that it exercises for their own proprietary information, but disclosure of information may be made: (a) subject to the terms and conditions of this Agreement, to the Lenders' and Collateral Agent's Subsidiaries or Affiliates, or in connection with a Lender's own financing or securitization transactions and upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction; (b) to prospective transferees (other than those identified in (a) above) or purchasers of any interest in the Credit Extensions (provided, however, (x) such prospective transferees are permitted transferees hereunder, and (y) the Lenders and Collateral Agent shall, except upon the occurrence and during the continuance of an Event of Default, obtain such prospective transferee's or purchaser's agreement to the terms of this provision or to similar confidentiality terms); (c) as required by law, regulation, subpoena, or other order; (d) to Lenders' or Collateral Agent's regulators or as otherwise required in connection with an examination or audit; (e) as Collateral Agent reasonably considers necessary in exercising remedies under the Loan Documents; and (f) to third party service providers of the Lenders and/or Collateral Agent so long as such service providers have executed a confidentiality agreement with the Lenders and Collateral Agent with terms no less restrictive than those contained herein. Confidential information does not include information that either: (i) is in the public domain or in the Lenders' and/or Collateral Agent's possession when disclosed to the Lenders and/or Collateral Agent, or becomes part of the public domain after disclosure to the Lenders and/or Collateral Agent; or (ii) is disclosed to the Lenders and/or Collateral Agent by a third party, if the Lenders and/or Collateral Agent does not know that the third party is prohibited from disclosing the information. Collateral Agent and the Lenders may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis, so long as Collateral Agent or the Lenders do not disclose Borrower's identity or the identity of any person associated with Borrower unless otherwise expressly permitted by this Agreement. The provisions of the immediately preceding sentence shall survive the termination of this Agreement. The agreements provided under this Section 12.9 supersede all prior agreements, understanding, representations, warranties, and negotiations between the parties about the subject matter of this Section 12.9.

12.10 Right of Set Off. Borrower hereby grants to Collateral Agent and to each Lender, a lien, security interest and right of set off as security for all Obligations to Collateral Agent and each Lender hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of Collateral Agent or the Lenders or any entity under the control of Collateral Agent or the Lenders (including a Collateral Agent affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, Collateral Agent or the Lenders may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE COLLATERAL AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED.

12.11 Cooperation of Borrower. If necessary, Borrower agrees to (i) execute any documents (including new Secured Promissory Notes) reasonably required to effectuate and acknowledge each assignment of a Term Loan Commitment or Loan to an assignee in accordance with Section 12.1, (ii) make Borrower's management available to meet with Collateral Agent and prospective participants and assignees of Term Loan Commitments or Credit Extensions (which meetings shall be conducted upon reasonable prior notice, during normal business hours and no more often than twice every twelve months; in each case, unless an Event of Default has occurred and is continuing), and (iii) assist Collateral Agent or the Lenders in the preparation of information relating to the financial affairs of Borrower as any prospective participant or assignee of a Term Loan Commitment or Term Loan reasonably may request. Subject to the provisions of Section 12.9, Borrower authorizes each Lender to disclose to any prospective participant or assignee of a Term Loan Commitment, any and all information in such Lender's possession concerning Borrower and its financial affairs which has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement, or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower prior to entering into this Agreement.

13. DEFINITIONS

13.1 Definitions. As used in this Agreement, the following terms have the following meanings:

"**Account**" is any "account" as defined in the Code with such additions to such term as may hereafter be made, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

"**Account Debtor**" is any "account debtor" as defined in the Code with such additions to such term as may hereafter be made.

"**Affiliate**" of any Person is a Person that owns or controls directly or indirectly the Person, any Person that controls or is controlled by or is under common control with the Person, and each of that Person's senior executive officers, directors, partners and, for any Person that is a limited liability company, that Person's managers and members.

"**Agreement**" is defined in the preamble hereof.

"**Amortization Date**" is (i) with respect to a Term A Loan, May 1, 2013 (or, August 1, 2013, if Borrower achieves the Term B Loan Funding Milestone), and (ii) with respect to the Term B Loan, August 1, 2013.

"**Annual Projections**" is defined in Section 6.2(a).

"**Anti-Terrorism Laws**" are any laws relating to terrorism or money laundering, including Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

"**Approved Fund**" is any (i) investment company, fund, trust, securitization vehicle or conduit that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business or (ii) any Person (other than a natural person) which temporarily warehouses loans for any Lender or any entity described in the preceding clause (i) and that, with respect to each of the preceding clauses (i) and (ii), is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) a Person (other than a natural person) or an Affiliate of a Person (other than a natural person) that administers or manages a Lender.

"**Approved Lender**" is defined in Section 12.1.

"**Basic Rate**" is, with respect to a Term Loan, the per annum rate of interest (based on a year of three hundred sixty (360) days) equal to the greater of (i) eleven and three quarters percent (11.75%) and (ii) the sum of (a) the three (3) month U.S. LIBOR rate reported in the Wall Street Journal three (3) Business Days prior to the Funding Date of such Term Loan (which shall not be less than forty-seven hundredths percent (0.47%)), plus (b) eleven and twenty-eight hundredths percent (11.28%).

"**Blocked Person**" is any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in Executive Order No. 13224, or (e) a Person that is named a "specially designated national" or "blocked person" on the most current list published by OFAC or other similar list.

"**Borrower**" is defined in the preamble hereof.

"**Borrower's Books**" are Borrower's or any of its Subsidiaries' books and records including ledgers, federal, and state tax returns, records regarding Borrower's or its Subsidiaries' assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

"**Business Day**" is any day that is not a Saturday, Sunday, other day on which commercial banks in New York are authorized or required by law to close, or a day on which Collateral Agent is closed.

"**Cash Equivalents**" are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor's Ratings Group or Moody's Investors Service, Inc., and (c) certificates of deposit maturing no more than one (1) year after issue provided that the account in which any such certificate of deposit is maintained is subject to a Control Agreement in favor of Collateral Agent. For the avoidance of doubt, the direct purchase by Borrower or any of its Subsidiaries of any Auction Rate Securities, or purchasing participations in, or entering into any type of swap or other derivative transaction, or otherwise holding or engaging in any ownership interest in any type of Auction Rate Security by Borrower or any of its Subsidiaries shall be conclusively determined by the Lenders as an ineligible Cash Equivalent, and any such transaction shall expressly violate each other provision of this Agreement governing Permitted Investments. Notwithstanding the foregoing, Cash Equivalents does not include and Borrower, and each of its Subsidiaries, are prohibited from purchasing, purchasing participations in, entering into any type of swap or other equivalent derivative transaction, or otherwise holding or engaging in any ownership interest in any type of debt instrument, including, without limitation, any corporate or municipal bonds with a long-term nominal maturity for which the interest rate is reset through a dutch auction and more commonly referred to as an auction rate security (each, an "**Auction Rate Security**").

"**Claims**" are defined in Section 12.2.

"**Code**" is the Uniform Commercial Code, as the same may, from time to time, be enacted and in effect in the State of New York; provided, that, to the extent that the Code is used to define any term herein or in any Loan Document and such term is defined differently in different Articles or Divisions of the Code, the definition of such term contained in Article or Division 9 shall govern; provided further, that in the event that, by reason of mandatory provisions of law, any or all of the attachment, perfection, or priority of, or remedies with respect to, Collateral Agent's and the Lenders' Liens on any Collateral is governed by the Uniform Commercial Code in effect in a jurisdiction other than the State of New York, the term "Code" shall mean the Uniform Commercial Code as enacted and in effect in such other jurisdiction solely for purposes of the provisions thereof relating to such attachment, perfection, priority, or remedies and for purposes of definitions relating to such provisions.

"**Collateral**" is any and all properties, rights and assets of Borrower described on Exhibit A.

"**Collateral Account**" is any Deposit Account, Securities Account, or Commodity Account; other than Excluded Accounts.

"**Collateral Agent**" is, Oxford, not in its individual capacity, but solely in its capacity as agent on behalf of and for the benefit of the Lenders, and any successor permitted hereunder.

"**Commitment Percentage**" is set forth in Schedule 1.1, as amended from time to time.

"**Commodity Account**" is any "commodity account" as defined in the Code with such additions to such term as may hereafter be made.

"**Communication**" is defined in Section 10.

"**Compliance Certificate**" is that certain certificate in the form attached hereto as Exhibit C.

"**Contingent Obligation**" is, for any Person, any direct or indirect liability, contingent or not, of that Person for (a) any indebtedness, lease, dividend, letter of credit or other obligation of another such as an obligation directly or indirectly guaranteed, endorsed, co-made, discounted or sold with recourse by that Person, or for which that Person is directly or indirectly liable; (b) any obligations for undrawn letters of credit for the account of that Person; and (c) all obligations from any interest rate, currency or commodity swap agreement, interest rate cap or collar agreement, or other agreement or arrangement designated to protect a Person against fluctuation in interest rates, currency exchange rates or commodity prices; but "Contingent Obligation" does not include endorsements in the ordinary course of business. The amount of a Contingent Obligation is the stated or determined amount of the primary obligation for which the Contingent Obligation is made or, if not determinable, the maximum reasonably anticipated liability for it determined by the Person in good faith; but the amount may not exceed the maximum of the obligations under any guarantee or other support arrangement.

"**Control Agreement**" is any control agreement entered into among the depository institution at which Borrower or any of its Subsidiaries maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower or any of its Subsidiaries maintains a Securities Account or a Commodity Account, Borrower and such Subsidiary, and Collateral Agent pursuant to which Collateral Agent obtains control (within the meaning of the Code) for the benefit of the Lenders over such Deposit Account, Securities Account, or Commodity Account.

"**Copyrights**" are any and all copyright rights, copyright applications, copyright registrations and like protections in each work or authorship and derivative work thereof, whether published or unpublished and whether or not the same also constitutes a trade secret.

"**Credit Extension**" is any Term Loan or any other extension of credit under the Loan Documents by Collateral Agent or Lenders for Borrower's benefit.

"**Data Monitoring Committee**" is the Data Monitoring Committee of Borrower, a committee of three (3) industry recognized experts in oncology drug development, independent, and appointed to monitor the HEAT study per charter, which meets periodically to review and report on the safety and efficacy of the HEAT study clinical data.

"**Default Rate**" is defined in Section 2.3(b).

"**Deposit Account**" is any "deposit account" as defined in the Code with such additions to such term as may hereafter be made.

"**Designated Deposit Account**" is Borrower's deposit account, account number 3300658266, maintained with Silicon Valley Bank.

"**Disbursement Letter**" is that certain form attached hereto as Exhibit B.

"**Dollars**," "**dollars**" and "$" each mean lawful money of the United States.

"**Effective Date**" is defined in the preamble of this Agreement.

"**Eligible Assignee**" is (i) a Lender, (ii) an Affiliate of a Lender, (iii) an Approved Fund and (iv) any commercial bank, savings and loan association or savings bank or any other entity which is an "accredited investor" (as defined in Regulation D under the Securities Act of 1933, as amended) and which extends credit or buys loans as one of its businesses, including insurance companies, mutual funds, lease financing companies and commercial finance companies, in each case, which either (A) has a rating of BBB or higher from Standard & Poor's Rating Group and a rating of Baa2 or higher from Moody's Investors Service, Inc. at the date that it becomes a Lender or (B) has total assets in excess of Five Billion Dollars ($5,000,000,000.00), and in each case of clauses (i) through (iv), which, through its applicable lending office, is capable of lending to Borrower without the imposition of any withholding or similar taxes; provided that notwithstanding the foregoing, "Eligible Assignee" shall not include, unless an Event of Default has occurred and is continuing, (i) Borrower or any of Borrower's Affiliates or Subsidiaries or (ii) a direct competitor of Borrower or a vulture hedge fund, each as determined by Collateral Agent. Notwithstanding the foregoing, (x) in connection with assignments by a Lender due to a forced divestiture at the request of any regulatory agency, the restrictions set forth herein shall not apply and Eligible Assignee shall mean any Person or party and (y) in connection with a Lender's own financing or securitization transactions, the restrictions set forth herein shall not apply and Eligible Assignee shall mean any Person or party providing such financing or formed to undertake such securitization transaction and any transferee of such Person or party upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction; provided that no such sale, transfer, pledge or assignment under this clause (y) shall release such Lender from any of its obligations hereunder or substitute any such Person or party for such Lender as a party hereto until Collateral Agent shall have received and accepted an effective assignment agreement from such Person or party in form satisfactory to Collateral Agent executed, delivered and fully completed by the applicable parties thereto, and shall have received such other information regarding such Eligible Assignee as Collateral Agent reasonably shall require.

"**Equipment**" is all "equipment" as defined in the Code with such additions to such term as may hereafter be made, and includes without limitation all machinery, fixtures, goods, vehicles (including motor vehicles and trailers), and any interest in any of the foregoing.

"**ERISA**" is the Employee Retirement Income Security Act of 1974, as amended, and its regulations.

"**Event of Default**" is defined in Section 8.

"**Excluded Accounts**" are Deposit Accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's, or any of its Subsidiaries', employees, and identified to Collateral Agent by Borrower as such in the Perfection Certificates; provided that, at no time shall Borrower maintain in any such Deposit Accounts an amount in excess of the equivalent of two (2) payroll periods.

"**Foreign Subsidiary**" is a Subsidiary that is not an entity organized under the laws of the United States or any territory thereof.

"**Funding Date**" is any date on which a Credit Extension is made to or on account of Borrower which shall be a Business Day.

"**GAAP**" is generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other Person as may be approved by a significant segment of the accounting profession in the United States, which are applicable to the circumstances as of the date of determination.

"**General Intangibles**" are all "general intangibles" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

"**Governmental Approval**" is any consent, authorization, approval, order, license, franchise, permit, certificate, accreditation, registration, filing or notice, of, issued by, from or to, or other act by or in respect of, any Governmental Authority.

"**Governmental Authority**" is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

"**Guarantor**" is any Person providing a Guaranty in favor of Collateral Agent.

"**Guaranty**" is any guarantee of all or any part of the Obligations, as the same may from time to time be amended, restated, modified or otherwise supplemented.

"**HCC**" is Hepatocellular Carcinoma.

"**HEAT**" is the HCC Study of RFA and ThermoDox.

"**Hisun Agreement**" is that certain Technology Development Agreement among Borrower, Zhejian Hisun Pharmaceutical Co. Ltd. and Hisun Pharmaceutical USA Inc., dated as of May 7, 2012.

"**Hisun Consulting Fees**" are the fees due Hisun under Section 2.2.3 of the Hisun Agreement.

"**Indebtedness**" is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, and (d) Contingent Obligations.

"**Indemnified Person**" is defined in Section 12.2.

"**Insolvency Proceeding**" is any proceeding by or against any Person under the United States Bankruptcy Code, or any other bankruptcy or insolvency law, including assignments for the benefit of creditors, compositions, extensions generally with its creditors, or proceedings seeking reorganization, arrangement, or other relief.

"**Insolvent**" means not Solvent.

"**Intellectual Property**" means all of Borrower's or any Subsidiary's right, title and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

(b) any and all trade secrets and trade secret rights, including, without limitation, any rights to unpatented inventions, know-how, operating manuals;

(c) any and all source code;

(d) any and all design rights which may be available to Borrower;

(e) any and all claims for damages by way of past, present and future infringement of any of the foregoing, with the right, but not the obligation, to sue for and collect such damages for said use or infringement of the Intellectual Property rights identified above; and

(f) all amendments, renewals and extensions of any of the Copyrights, Trademarks or Patents.

"**Inventory**" is all "inventory" as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made, and includes without limitation all merchandise, raw materials, parts, supplies, packing and shipping materials, work in process and finished products, including without limitation such inventory as is temporarily out of any Person's custody or possession or in transit and including any returned goods and any documents of title representing any of the above.

"**Investment**" is any beneficial ownership interest in any Person (including stock, partnership interest or other securities), and any loan, advance, payment or capital contribution to any Person.

"**Key Person**" is each of Borrower's (i) Chief Executive Officer, who is Michael H. Tardugno as of the Effective Date, (ii) Chief Financial Officer, who is Greg Weaver as of the Effective Date and (iii) Chief Medical Officer, who is Nicholas Borys as of the Effective Date.

"**Lender**" is any one of the Lenders.

"**Lenders**" are the Persons identified on Schedule 1.1 hereto and each assignee that becomes a party to this Agreement pursuant to Section 12.1.

"**Lenders' Expenses**" are all documented, reasonable audit fees and expenses, costs, and expenses (including reasonable attorneys' fees and expenses, as well as appraisal fees, fees incurred on account of lien searches, inspection fees, and filing fees) for preparing, amending, negotiating, administering, defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred by Collateral Agent and/or the Lenders in connection with the Loan Documents.

"**Lien**" is a claim, mortgage, deed of trust, levy, charge, pledge, security interest, or other encumbrance of any kind, whether voluntarily incurred or arising by operation of law or otherwise against any property.

"**Loan Documents**" are, collectively, this Agreement, the Secured Promissory Notes, the Warrants, the Perfection Certificates, each Compliance Certificate, each Disbursement Letter, the Post Closing Letter, any subordination agreements, any note, or notes or guaranties executed by Borrower or any other Person, and any other present or future agreement entered into by Borrower, any Guarantor or any other Person for the benefit of the Lenders and Collateral Agent in connection with this Agreement, all as amended, restated, or otherwise modified.

"**Material Adverse Change**" is (a) a material impairment in the perfection or priority of Collateral Agent's and the Lenders' Liens in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations or condition (financial or otherwise) of Borrower or any Subsidiary; or (c) a material impairment of the prospect of repayment of any portion of the Obligations.

"**Maturity Date**" is, for each Term Loan, the date which is twenty-nine (29) months after the Amortization Date with respect to such Term Loan.

"**Obligations**" are all of Borrower's obligations to pay when due any debts, principal, interest, Lenders' Expenses, the Prepayment Fee, and other amounts Borrower owes the Lenders now or later, in connection with, related to, following, or arising from, out of or under, this Agreement or, the other Loan Documents (other than the Warrants), or otherwise, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of Borrower assigned to the Lenders and/or Collateral Agent, and the performance of Borrower's duties under the Loan Documents (other than the Warrants).

"**OFAC**" is the U.S. Department of Treasury Office of Foreign Assets Control.

"**OFAC Lists**" are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

"**Operating Documents**" are, for any Person, such Person's formation documents, as certified by the Secretary of State (or equivalent agency) of such Person's jurisdiction of organization on a date that is no earlier than thirty (30) days prior to the Effective Date, and, (a) if such Person is a corporation, its bylaws in current form, (b) if such Person is a limited liability company, its limited liability company agreement (or similar agreement), and (c) if such Person is a partnership, its partnership agreement (or similar agreement), each of the foregoing with all current amendments or modifications thereto.

"**Patents**" means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, extensions and continuations-in-part of the same.

"**Payment Date**" is the first (1st) calendar day of each calendar month, commencing on August 1, 2012.

"**Perfection Certificate**" and "**Perfection Certificates**" is defined in Section 5.1.

"**Permitted Indebtedness**" is:

(a) Borrower's Indebtedness to the Lenders and Collateral Agent under this Agreement and the other Loan Documents;

(b) Indebtedness existing on the Effective Date and disclosed on the Perfection Certificate(s);

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors incurred in the ordinary course of business;

(e) Indebtedness consisting of capitalized lease obligations and purchase money Indebtedness, in each case incurred by Borrower or any of its Subsidiaries to finance the acquisition, repair, improvement or construction of fixed or capital assets of such person, provided that (i) the aggregate outstanding principal amount of all such Indebtedness does not exceed Five Hundred Thousand Dollars ($500,000.00) per fiscal year and (ii) the principal amount of such Indebtedness does not exceed the lower of the cost or fair market value of the property so acquired or built or of such repairs or improvements financed with such Indebtedness (each measured at the time of such acquisition, repair, improvement or construction is made);

(f) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of Borrower's business;

(g) Indebtedness of Borrower to any Subsidiary and of any Subsidiary to Borrower; provided any such Subsidiary is a co-Borrower or secured Guarantor hereunder;

(h) Indebtedness consisting of Permitted Investments;

(i) Indebtedness arising from the honoring by a bank or other financial institution of a check, draft or similar instrument inadvertently (except in the case of daylight overdrafts) drawn against insufficient funds in the ordinary course of business; provided, however, that such Indebtedness (x) is extinguished within three (3) Business Days of incurrence; and (y) does not exceed Five Thousand Dollars ($5,000.00) at any time during the term hereof;

(j) unsecured Indebtedness under swap or hedge agreements that are designed to protect against fluctuations in interest rates, foreign currency exchange rates or commodity prices, in each case not entered into for speculative purposes; not to exceed One Hundred Thousand Dollars ($100,000.00) during the term hereof;

(k) unsecured Indebtedness under the Hisun Agreement, other than the Hisun Consulting Fees (which Hisun Consulting Fees may not be paid during the term of this Agreement without the prior written consent of the Lenders);

(l) unsecured Indebtedness in an aggregate principal amount not to exceed One Hundred Thousand Dollars ($100,000.00) at any time during the term hereof; and

(m) extensions, refinancings, modifications, amendments and restatements of any items of Permitted Indebtedness (a) through (l) above, provided that the principal amount thereof is not increased or the terms thereof are not modified to impose materially more burdensome terms upon Borrower, or its Subsidiary, as the case may be.

"**Permitted Investments**" are:

(a) Investments disclosed on the Perfection Certificate(s) and existing on the Effective Date;

(b) (i) Investments consisting of cash and Cash Equivalents, and (ii) any Investments permitted by Borrower's investment policy, as amended from time to time, provided that such investment policy (and any such amendment thereto) has been approved in writing by Collateral Agent;

(c) Investments consisting of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of Borrower;

(d) Investments consisting of (x) Collateral Accounts in which Collateral Agent has a perfected security interest; and (y) Excluded Accounts;

(e) Investments in connection with Transfers permitted by Section 7.1;

(f) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's Board of Directors; not to exceed Two Hundred Fifty Thousand Dollars ($250,000.00) in the aggregate for (i) and (ii) in any fiscal year;

(g) Investments (including debt obligations) received in connection with the bankruptcy or reorganization of customers or suppliers and in settlement of delinquent obligations of, and other disputes with, customers or suppliers arising in the ordinary course of business;

(h) Investments consisting of notes receivable of, or prepaid royalties and other credit extensions, to customers and suppliers who are not Affiliates, in the ordinary course of business; provided that this paragraph (h) shall not apply to Investments of Borrower in any Subsidiary;

(i) non-cash Investments in joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support;

(j) intercompany Investments by Borrower in any Subsidiary and by any Subsidiary in Borrower; provided any such Subsidiary is a co-Borrower or secured Guarantor hereunder;

(k) Investments consisting of swap agreements permitted under the definition of Permitted Indebtedness;

(l) Investments consisting of consideration received in connection with a Transfer made in compliance with Section 7.1; and

(m) Investments in an aggregate amount (valued at cost) not to exceed One Hundred Thousand Dollars ($100,000.00) at any time during the term hereof.

"**Permitted Licenses**" are (A) licenses of over-the-counter software that is commercially available to the public, and (B) non-exclusive and exclusive licenses for the use of the Intellectual Property of Borrower or any of its Subsidiaries entered into in the ordinary course of business, provided, that, with respect to each such license described in clause (B), (i) no Event of Default has occurred or is continuing at the time of such license; (ii) the license constitutes an arms-length transaction, the terms of which, on their face, do not provide for a sale or assignment of any Intellectual Property and do not restrict the ability of Borrower or any of its Subsidiaries, as applicable, to pledge, grant a security interest in or lien on, or assign or otherwise Transfer any Intellectual Property; (iii) in the case of any exclusive license, (x) Borrower delivers twenty (20) days' prior written notice and a brief summary of the terms of the proposed license to Collateral Agent and the Lenders and delivers to Collateral Agent and the Lenders copies of the final executed licensing documents in connection with the exclusive license promptly upon consummation thereof, (y) any such license is made in connection with a bona fide corporate collaboration or partnership, and is approved by Borrower's (or the applicable Subsidiary's) board of directors, and (z) any such license could not result in a legal transfer of title of the licensed property but may be exclusive in respects other than territory and may be exclusive as to territory only as to discrete geographical areas outside of the United States; and (iv) all upfront payments, royalties, milestone payments or other proceeds arising from the licensing agreement that are payable to Borrower or any of its Subsidiaries are paid to a Deposit Account that is governed by a Control Agreement.

"**Permitted Liens**" are:

(a) Liens existing on the Effective Date and disclosed on the Perfection Certificates or arising under this Agreement and the other Loan Documents;

(b) Liens for taxes, fees, assessments or other government charges or levies, either (i) not due and payable or (ii) being contested in good faith and for which Borrower maintains adequate reserves on its Books, provided that no notice of any such Lien has been filed or recorded under the Internal Revenue Code of 1986, as amended, and the Treasury Regulations adopted thereunder;

(c) liens securing Indebtedness permitted under clause (e) of the definition of "Permitted Indebtedness," provided that (i) such liens exist prior to the acquisition of, or attach substantially simultaneous with, or within twenty (20) days after the, acquisition, lease, repair, improvement or construction of, such property financed or leased by such Indebtedness and (ii) such liens do not extend to any property of Borrower other than the property (and proceeds thereof) acquired, leased or built, or the improvements or repairs, financed by such Indebtedness;

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Twenty Five Thousand Dollars ($25,000.00), and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

(e) Liens to secure payment of workers' compensation, employment insurance, old-age pensions, social security and other like obligations incurred in the ordinary course of business (other than Liens imposed by ERISA);

(f) leases or subleases of real property granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), and leases, subleases, non-exclusive licenses or sublicenses of personal property (other than Intellectual Property) granted in the ordinary course of Borrower's business (or, if referring to another Person, in the ordinary course of such Person's business), if the leases, subleases, licenses and sublicenses do not prohibit granting Collateral Agent or any Lender a security interest therein;

(g) banker's liens, rights of setoff and Liens in favor of financial institutions incurred in the ordinary course of business arising in connection with Borrower's deposit accounts or securities accounts held at such institutions solely to secure payment of fees and similar costs and expenses and provided such accounts are maintained in compliance with Section 6.6(b) hereof;

(h) Liens arising from judgments, decrees or attachments in circumstances not constituting an Event of Default under Section 8.4 or 8.7;

(i) Liens consisting of Permitted Licenses;

(j) deposits to secure the performance of bids, tenders, trade contracts (other than for borrowed money), leases, government contracts, statutory obligations, surety, stay, customs and appeal bonds, performance and return of money bonds and other obligations of a like nature incurred in the ordinary course of business; securing liabilities in the aggregate amount not to exceed Fifty Thousand Dollars ($50,000.00)

(k) easements, rights-of-way, restrictions (including zoning restrictions), covenants, licenses, encroachments, protrusions and other similar charges or encumbrances or minor title deficiencies incurred in the ordinary course of business that, in the aggregate, are not substantial in amount and that do not in any case materially detract from the value of the real property subject thereto or materially interfere with the ordinary conduct of the business of Borrower and its Subsidiaries;

(l) deposits made in the ordinary course of business to secure liability for premiums to insurance carriers; provided any such Lien is limited to the insurance proceeds and secures liability in the aggregate amount not to exceed One Hundred Thousand Dollars)$100,000.00);

(m) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods in the ordinary course of business;

(n) Liens arising out of conditional sale, title retention, consignment or similar arrangements for the sale of goods in the ordinary course of business in accordance with the past practices;

(o) the filing of UCC Financing Statements solely as a precautionary measure in connection with operating leases or consignment of goods; in each case, arising in the ordinary course of business; and

(p) Liens incurred in the extension, renewal or refinancing of the indebtedness secured by Liens described in (a) through (j), but any extension, renewal or replacement Lien must be limited to the property encumbered by the existing Lien and the principal amount of the Indebtedness may not increase.

"**Person**" is any individual, sole proprietorship, partnership, limited liability company, joint venture, company, trust, unincorporated organization, association, corporation, institution, public benefit corporation, firm, joint stock company, estate, entity or government agency.

"**Positive Data**" is the release from the Data Monitoring Committee of study data from the HEAT Phase III trial in HCC, demonstrating clinical benefit with a thirty-three percent (33.00%) or greater improvement in Progression Free Survival with a p-value of less than or equal to five hundredths (0.05); or a DMC Recommendation to unblind the HEAT Phase III trial data based on equivalent or better clinical efficacy (ie overall survival improvement); in both cases, with publication of the results to the public markets (whether in the form of a press release or in an 8-K filing with the SEC).

"**Post Closing Letter**" is that certain Post Closing Letter dated as of the Effective Date by and between Collateral Agent and Borrower.

"**Prepayment Fee**" is, with respect to any Term Loan subject to prepayment prior to the Maturity Date, whether by mandatory or voluntary prepayment, acceleration or otherwise, an additional fee payable to the Lenders in amount equal to:

(i) for a prepayment made on or after the Funding Date of such Term Loan through and including the first anniversary of the Funding Date of such Term Loan, three percent (3.00%) of the principal amount of such Term Loan prepaid;

(ii) for a prepayment made after the date which is after the first anniversary of the Funding Date of such Term Loan through and including the second anniversary of the Funding Date of such Term Loan, two percent (2.00%) of the principal amount of the Term Loans prepaid; or

(iii) for a prepayment made after the date which is after the second anniversary of the Funding Date of such Term Loan and prior to the Maturity Date, one percent (1.00%) of the principal amount of the Term Loans prepaid.

"**Pro Rata Share**" is, as of any date of determination, with respect to each Lender, a percentage (expressed as a decimal, rounded to the ninth decimal place) determined by dividing the outstanding principal amount of Term Loans held by such Lender by the aggregate outstanding principal amount of all Term Loans.

"**Registered Organization**" is any "registered organization" as defined in the Code with such additions to such term as may hereafter be made.

"**Required Lenders**" means (i) for so long as all of the Persons that are Lenders on the Effective Date (each an "**Original Lender**") have not assigned or transferred any of their interests in their respective Term Loans, Lenders holding one hundred percent (100%) of the aggregate outstanding principal balance of the Term Loans, or (ii) at any time from and after any Original Lender has assigned or transferred any interest in its Term Loans, Lenders holding, sixty-six percent (66%) or more of the aggregate outstanding principal balance of the Term Loans, *plus*, in respect of this clause (ii), (A) each Original Lender that has not assigned or transferred any portion of its respective Term Loan, (B) each assignee of an Original Lender provided such assignee was assigned or transferred and continues to hold one hundred percent (100%) of the assigning Original Lender's interest in the Term Loans and (C) any Person or party providing financing to an Original Lender or formed to undertake a securitization transaction with respect to an Original Lender and any transferee of such Person or party upon the occurrence of a default, event of default or similar occurrence with respect to such financing or securitization transaction (in each case in respect of clauses (A), (B) and (C) of this clause (ii), whether or not such Lender is included within the Lenders holding sixty-six percent (66%) of the Terms Loans; *provided*, *however*, that notwithstanding the foregoing, for purposes of Section 9.1(b) hereof, "Required Lenders" means (i) for so long as all Original Lenders retain one hundred percent (100%) of their interests in their respective Term Loans, Lenders holding one hundred percent (100%) of the aggregate outstanding principal balance of the Term Loans, or (ii) at any time from and after any Original Lender has assigned or transferred any interest in its Term Loans, Lenders holding, sixty-six percent (66%) or more of the aggregate outstanding principal balance of the Term Loans, plus, in respect of this clause (ii), each Original Lender that has not assigned or transferred any portion of its respective Term Loan (in each case in respect of this clause (ii), whether or not such Original Lender is included within the Lenders holding sixty-six percent (66%) of the Term Loans). For purposes of this definition only, a Lender shall be deemed to include itself, and any Lender that is an Affiliate or Approved Fund of such Lender.

"**Requirement of Law**" is as to any Person, the organizational or governing documents of such Person, and any law (statutory or common), treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

"**Responsible Officer**" is any of the President, Chief Executive Officer, or Chief Financial Officer of Borrower acting alone.

"**Second Draw Period**" is the period commencing on the date of the occurrence of the Term B Loan Funding Milestone and ending on the earlier of (i) March 31, 2013 and (ii) the occurrence of an Event of Default (which has not been cured or waived); provided, however, that the Second Draw Period shall not commence if on the date of the occurrence of the Term B Loan Funding Milestone an Event of Default has occurred and is continuing.

"**Secured Promissory Note**" is defined in Section 2.4.

"**Secured Promissory Note Record**" is a record maintained by each Lender with respect to the outstanding Obligations owed by Borrower to Lender and credits made thereto.

"**Securities Account**" is any "securities account" as defined in the Code with such additions to such term as may hereafter be made.

"**Solvent**" is, with respect to any Person: the fair salable value of such Person's consolidated assets (including goodwill minus disposition costs) exceeds the fair value of such Person's liabilities; such Person is not left with unreasonably small capital after the transactions in this Agreement to conduct its business as presently conducted; and such Person is able to pay its debts (including trade debts) as they mature.

"**Subordinated Debt**" is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all Indebtedness of Borrower and/or its Subsidiaries to the Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form and substance reasonably satisfactory to Collateral Agent and the Lenders entered into between Collateral Agent, Borrower, and/or any of its Subsidiaries, and the other creditor), on terms reasonably acceptable to Collateral Agent and the Lenders.

"**Subsidiary**" is, with respect to any Person, any Person of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or one or more of Affiliates of such Person.

"**Term A Loan**" is defined in Section 2.2(a)(i) hereof.

"**Term B Loan**" is defined in Section 2.2(a)(ii) hereof.

"**Term B Loan Funding Milestone**" is Borrower's receipt, and delivery to Collateral Agent and the Lenders, of Positive Data, in form and content reasonably acceptable to the Lenders.

"**Term Loan**" is defined in Section 2.2(a)(ii) hereof.

"**Term Loan Commitment**" is, for any Lender, the obligation of such Lender to make a Term Loan, up to the principal amount shown on Schedule 1.1**.** "**Term Loan Commitments**" means the aggregate amount of such commitments of all Lenders.

"**Trademarks**" means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower connected with and symbolized by such trademarks.

"**Transfer**" is defined in Section 7.1.

"**Warrants**" are those certain Warrants to Purchase Stock dated as of the Effective Date, or any date thereafter, issued by Borrower in favor of each Lender or such Lender's Affiliates; each in form and content acceptable to each respective Lender (or such Affiliates) in its reasonable discretion.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the Effective Date.

BORROWER:

CELSION CORPORATION

By _____
Name: _____
Title: _____

COLLATERAL AGENT AND LENDER:

OXFORD FINANCE LLC

By_____
Name:_____
Title:_____

LENDER:

HORIZON TECHNOLOGY FINANCE CORPORATION

By:_____
Robert D. Pomeroy, Jr.
Title: Chief Executive Officer

[*Signature Page to Loan and Security Agreement*]

SECURED PROMISSORY NOTE
(Term A Loan)

$2,500,000.00 Dated: June 27, 2012

FOR VALUE RECEIVED, the undersigned, CELSION CORPORATION, a Delaware corporation with offices located at 997 Lenox Drive, Suite 100, Lawrenceville, New Jersey 08648 ("**Borrower**") HEREBY PROMISES TO PAY to the order of [OXFORD FINANCE LLC][HORIZON TECHNOLOGY FINANCE CORPORATION] ("**Lender**") the principal amount of TWO MILLION FIVE HUNDRED THOUSAND DOLLARS ($2,500,000.00) or such lesser amount as shall equal the outstanding principal balance of the Term A Loan made to Borrower by Lender, plus interest on the aggregate unpaid principal amount of such Term A Loan, at the rates and in accordance with the terms of the Loan and Security Agreement dated June 27, 2012 by and among Borrower, Lender, Oxford Finance LLC, as Collateral Agent, and the other Lenders from time to time party thereto (as amended, restated, supplemented or otherwise modified from time to time, the "**Loan Agreement**"). If not sooner paid, the entire principal amount and all accrued and unpaid interest hereunder shall be due and payable on the Maturity Date as set forth in the Loan Agreement. Any capitalized term not otherwise defined herein shall have the meaning attributed to such term in the Loan Agreement.

Principal, interest and all other amounts due with respect to the Term A Loan, are payable in lawful money of the United States of America to Lender as set forth in the Loan Agreement and this Secured Promissory Note (this "**Note**"). The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

The Loan Agreement, among other things, (a) provides for the making of a secured Term A Loan by Lender to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Section 2.2 (c) and Section 2.2(d) of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Term A Loan, interest on the Term A Loan and all other amounts due Lender under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all reasonable fees and expenses, including, without limitation, reasonable attorneys' fees and costs, incurred by Lender in the enforcement or attempt to enforce any of Borrower's obligations hereunder not performed when due.

This Note shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of New York.

The ownership of an interest in this Note shall be registered on a record of ownership maintained by Lender or its agent. Notwithstanding anything else in this Note to the contrary, the right to the principal of, and stated interest on, this Note may be transferred only if the transfer is registered on such record of ownership and the transferee is identified as the owner of an interest in the obligation. Borrower shall be entitled to treat the registered holder of this Note (as recorded on such record of ownership) as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in this Note on the part of any other person or entity.

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IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

BORROWER:

CELSION CORPORATION

By _____
Name: _____
Title: _____

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

August 14, 2012

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

Exhibit 31.2

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

August 14, 2012

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 June 30, 2012 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.

August 14, 2012 By: */s/ Michael H. Tardugno*
Michael H. Tardugno
President and Chief Executive Officer

August 14, 2012 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.