

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): October 3, 2006

Celsion Corporation

(Exact Name of Registrant as Specified in Charter)

Delaware
(State or other jurisdiction
of incorporation)

000-14242
(Commission File Number)

52-1256615
(IRS Employer
Identification No.)

10220-L Old Columbia Road, Columbia, Maryland
(Address of principal executive office)

21046-2364
(Zip Code)

Registrant's telephone number, including area code: (410) 290-5390

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

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

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.135-4(c))

Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

Item 1.01 Entry into a Material Definitive Agreement.

On October 3, 2006, Celsion Corporation (the "Company") made awards of 5,100 shares of restricted common stock of the Company (the "Restricted Stock") and an option to purchase 5,100 shares of the Company's common stock (the "Stock Options") to William Hahne pursuant to the Company's 2004 Stock Incentive Plan as compensation for Dr. Hahne's promotion from Vice President Medical and Clinical Affairs to Vice President Research and Development. The Restricted Stock and the Stock Options will vest in three equal annual increments beginning on the first anniversary of the date of grant, and the Stock Options will expire on March 10, 2016. The exercise price of the Stock Options was based upon the October 3, 2006 closing price of the Company's common stock on The American Stock Exchange, which was \$2.44.

Copies of the Restricted Stock Agreement and the Stock Option Grant Agreement are attached hereto as exhibits 10.1 and 10.2, respectively, and are incorporated herein by reference.

Item 5.02. Departure of Directors of Principal Officers; Election of Directors; Appointment of Principal Officers.

On October 3, 2006, the Board of Directors of the Company (the "Board") appointed Anthony P. Deasey as a member of the Board of Directors to become effective upon his appointment as Interim President and Chief Executive Officer of the Company. As previously announced, at a meeting of the Company's Board on September 6, 2006, Mr. Deasey was appointed Interim President and Chief Executive Officer of the Company effective upon the effective date of Lawrence S. Olanoff's resignation from his position of President and Chief Executive Officer. Dr. Olanoff's resignation became effective October 6, 2006, at which time Mr. Deasey's appointment as Interim President and Chief Executive Officer and Director became effective. In connection with his appointment to the Board, Mr. Deasey has agreed that upon the appointment of a replacement President and Chief Executive Officer of the Company and upon the Board's request, Mr. Deasey shall resign from the Board. Mr. Deasey was not appointed to any committees of the Board.

There are no familial relationships between Mr. Deasey and any other director or executive officer of the Company. Other than Mr. Deasey's employment with the Company, since the beginning of the Company's last fiscal year, there have been no transactions, or series of transactions, between Mr. Deasey or any member of his immediate family and the Company in which the amount involved exceeded \$60,000 and in which Mr. Deasey or his family members have, or will have, a direct or indirect material interest.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Restricted Stock Agreement, dated October 3, 2006
10.2	Stock Option Grant Agreement, dated October 3, 2006

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 hereunto duly authorized.

CELSION CORPORATION

Date: October 10, 2006

By: /s/ Anthony P. Deasey

Anthony P. Deasey
Executive Vice President, Chief Financial Officer and
Chief Operating Officer

Exhibit Index

<u>Exhibit No.</u>	<u>Description</u>
10.1	Restricted Stock Agreement, dated October 3, 2006
10.2	Stock Option Grant Agreement, dated October 3, 2006

SERIAL NUMBER: RSG-0001

**CELSION CORPORATION
2004 STOCK INCENTIVE PLAN
RESTRICTED STOCK GRANT AGREEMENT**

This Restricted Stock Grant Agreement (the "Agreement") is entered into by and between Celsion Corporation, a Delaware Corporation, (the "Corporation") and William Hahne the ("Grantee") effective as October 3, 2006, the ("Grant Date").

1. AWARD OF RESTRICTED STOCK:

Subject to the provisions of this Agreement and pursuant to the provisions of the Celsion Corporation 2004 Stock Incentive Plan (the "Plan"), the Committee hereby grants to the Grantee a Restricted Stock Award on the Grant Date subject to the restrictions stated herein, for such number of shares of Common Stock of the Corporation ("Restricted Stock" or "Shares") and with such Fair Market Value as of the Grant Date as are stated in the Restricted Stock Overview below.

RESTRICTED STOCK OVERVIEW

Number of Shares:	5,100
Fair Market Value Per Share:	\$ 2.44

2. RESTRICTIONS:

(a) **Vesting Schedule.** The Restricted Stock shall be subject to forfeiture until such shares vest in accordance with the applicable schedule set forth below:

(i) *Regular Vesting Schedule:* One-third (1/3rd) of the Shares will vest on the first (1st) anniversary of the Grant Date, and an additional one-third (1/3rd) of the Shares will vest on each succeeding anniversary of the Grant Date, provided Grantee has continued in the employment of the Corporation or any Parent, or Subsidiary of the Corporation from the Grant Date through any such anniversary.

(ii) *Accelerated Vesting Schedule:* The Shares shall become one-hundred percent (100%) vested on the date of a Change in Control of the Corporation, as such term is defined in the Plan, provided Grantee has continued in the employment of the Corporation or any Parent or Subsidiary of the Corporation from the Grant Date through any such vesting date.

(b) Other Restrictions.

(i) *Nontransferable.* Unvested shares of Restricted Stock are not transferable by the Grantee by means of sale, assignment, exchange, pledge, hypothecation, or otherwise (other than by will or the laws of descent and distribution).

(ii) *Rights of Shareholder.* The Grantee shall be entitled to all rights of a shareholder of the Corporation with respect to unvested shares of Restricted Stock, including the right to vote the Restricted Stock and receive dividends and/or other distributions declared on such Shares. Any dividends which are paid in Shares with respect to unvested Restricted Stock shall be subject to the same vesting and forfeiture conditions and other restrictions as the respective Restricted Stock.

3. ISSUANCE OF RESTRICTED STOCK:

(a) **Issuance of Restricted Stock.** The Restricted Stock shall be registered on the Corporation's books in the name of the Grantee as of the Grant Date. Physical possession or custody of any share certificate(s) shall be retained by the Corporation until such time as the Restricted Stock are vested. While in its possession, the Corporation reserves the right to place a legend on any share certificate(s) restricting the transferability of such certificate(s) and referring to the terms and conditions (including forfeiture) approved by the Committee and applicable to the Restricted Stock represented by the certificate(s). The Grantee shall deliver to the Corporation a share power, endorsed in blank, in the form attached as Attachment A, with respect to the Restricted Stock to be held by the Corporation.

(b) **Vesting.** Upon the vesting of the Restricted Stock, the Corporation shall cancel any share power granted to the Corporation with respect to such shares and deliver to the Grantee (or his estate, as may be applicable) a share certificate covering the vested Shares within 30 days after vesting. Any such share certificate shall not include vested fractional shares. If the shares of Restricted Stock are not registered under applicable federal or state law, the certificates for the Restricted Stock to be issued to the Grantee shall contain appropriate legends to reflect the restrictions on transferability imposed by law.

(c) **Section 83(b) Election.** Grantee hereby acknowledges that he or she has been informed that, unless an election is filed by the Grantee with the Internal Revenue Service and, if necessary, the proper state taxing authorities, within thirty (30) days of the Grant Date, electing pursuant to Section 83(b) of the Code (and similar state tax provisions if applicable) to be taxed currently on the Fair Market Value of the Shares on the Grant Date, there will be a recognition of taxable income to the Grantee measured by their Fair Market Value at the time of vesting. Grantee represents that Grantee has consulted any tax consultant(s) Grantee deems advisable in connection with the grant of the Shares or the filing of the Election under Section 83(b) and similar tax provisions.

A PARTIALLY COMPLETED FORM OF SECTION 83(b) ELECTION IS ATTACHED AS ATTACHMENT B. GRANTEE ACKNOWLEDGES THAT IT IS GRANTEE'S SOLE RESPONSIBILITY AND NOT THE CORPORATION'S TO COMPLETE AND FILE TIMELY THE ELECTION UNDER SECTION 83(b), EVEN IF GRANTEE REQUESTS THE CORPORATION OR ITS REPRESENTATIVE TO MAKE THIS FILING ON GRANTEE'S BEHALF.

4. TERMINATION OF EMPLOYMENT; END OF RESTRICTION PERIOD:

(a) **Vesting.** If the Grantee terminates employment with the Corporation or any Parent or Subsidiary of the Corporation for any reason, the shares of Restricted Stock shall be vested only to the extent that they were vested as of such date of termination of employment, and no further vesting shall occur thereafter.

(b) **Forfeiture.** Any shares of Restricted Stock which have not then become vested pursuant to Section 2 hereof shall be forfeited to the Corporation upon the termination of employment of the Grantee with the Corporation or any Parent or Subsidiary of the Corporation for any reason. No consideration shall be payable to the Grantee from the Corporation or otherwise with respect to the forfeited Shares, except as otherwise determined by the Committee.

5. MISCELLANEOUS:

(a) **Withholding Taxes.** The Corporation or any Parent or Subsidiary of the Corporation shall have the right to deduct from any compensation or any other payment of any kind (including withholding the issuance of Shares hereunder) due the Grantee the amount of any federal, state or local taxes required by law to be withheld as a result of the grant of the Restricted Stock or the vesting of the Restricted Stock in whole or in part; provided, however, that the value of the Shares withheld may not exceed the statutory minimum withholding amount required by law. In lieu of such deduction, the Corporation may require the Grantee to make a cash payment to the Corporation or any Parent or Subsidiary of the Corporation equal to the amount required to be withheld. If the Grantee does not make such payment when requested, the Corporation may refuse to provide for the issuance of Restricted Stock, or effect the transfer back to the Corporation of newly vested Restricted Stock, to satisfy such payments.

(b) **Impact on Other Benefits.** The value of the Restricted Stock (either on the Grant Date or at the time the Shares are vested) shall not be includable as compensation or earnings for purposes of any other benefit plan offered by the Corporation.

(c) **Right to Continued Employment.** Nothing in the Plan or this Agreement shall be construed as a contract of employment between the Corporation or any Parent or Subsidiary of the Corporation and the Grantee, or as a contractual right of the Grantee to continue in the employ of the Corporation or any Parent or Subsidiary of the Corporation, or as a limitation of the right of the Corporation or any Parent or Subsidiary of the Corporation to discharge the Grantee at any time.

(d) **Prevailing Laws.** This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Delaware.

(e) **Successors.** This Agreement shall be binding upon and inure to the benefit of the successors, assigns and heirs of the respective parties.

(f) **Headings.** Headings in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this agreement.

(g) **Notices.** All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered or mailed by certified mail, addressed to Grantee at the address contained in the records of the Corporation, or addressed to the Committee, care of the Corporation for the attention of its Secretary at its principal office or, if the receiving party consents in advance, transmitted and received via telecopy or via such other electronic transmission mechanism as may be available to the parties.

(h) **Entire Agreement; Modification.** The Agreement contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto.

(i) **Conformity with Plan.** This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan, which is incorporated herein by reference. Unless stated otherwise herein, capitalized terms in this Agreement shall have the same meaning as defined in the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Agreement or any matters as to which the Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan and Grant Agreements related thereto, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan. The Grantee acknowledges by signing this Agreement that he or she has received and reviewed a copy of the Plan.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

ATTEST:

Name:
Title:

WITNESS:

CELSION CORPORATION

By: /s/ Anthony P. Deasey (SEAL)

Name: Anthony P. Deasey

Title: Executive Vice President and
Chief Operating Officer

GRANTEE

/s/ William Hahne (SEAL)

Name: William Hahne

ATTACHMENT A

SHARE POWER

FOR VALUE RECEIVED, the undersigned, _____, an individual residing at _____, whose social security number is _____, hereby sells, assigns and transfers unto Celsion Corporation (the "Corporation") or its successor _____ shares of Common Stock of the Corporation standing in my name in the Share Register, [represented by Certificate No. _____, which is attached hereto], and hereby irrevocably constitutes and appoints _____ as my attorney-in-fact to transfer the said shares on the Share Register with full power of substitution in the premises.

WITNESS:

Shareholder

Dated: _____

This Share Power should be signed in blank without entering any information other than the name of the Shareholder. The purpose of the Share Power is to provide for transfer of the respective shares of Corporation Common Stock back to the Corporation in the event that the Shareholder terminates employment with the Corporation before the shares have become vested in accordance with the provisions of the Celsion Corporation 2004 Stock Incentive Plan and the Restricted Stock Grant Agreement issued thereunder.

ATTACHMENT B

**Election Pursuant to Section 83(b) of the
Internal Revenue Code of 1986, as Amended**

The undersigned hereby makes an election, pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, with respect to the property described below and supplies the following information in accordance with Treas. Reg. §1.83-2(e):

1. The name, address and taxpayer identification number of the Taxpayer:

Name: _____

Address: _____

Social Security Number: _____ - _____ - _____

2. A description of the property with respect to which the election is being made:

The property with respect to which the election is made is _____ shares (the "Shares") of Celsion Corporation (the "Company").

3. The date on which the property was transferred and the taxable year in which such election was made:

The date on which the property was transferred is _____, 200_, the date on which the taxpayer received the property pursuant to a purchase of the Shares under the Celsion Corporation 2004 Stock Incentive Plan (the "Plan"). The taxable year to which this election relates is calendar year 200_.

4. The nature of the restriction to which the property is subject:

The property is subject to restrictions in that the property is not transferable and is subject to a substantial risk of forfeiture until the taxpayer vests in the property in accordance with the provisions of the Plan and a Restricted Stock Grant Agreement.

The Shares vest over a 3 year period, with one-third vesting after the close of the first year of employment and an additional one-third of the Shares vesting after each additional year of employment thereafter. The Shares shall become 100% vested on a change in control of the Company, provided the taxpayer continues in employment with the Company through any such vesting date.

Any unvested Shares will be forfeited by the taxpayer upon termination of employment for any reason.

The Shares are also subject to certain restrictions on transfer imposed by federal and state securities laws.

The taxpayer believes that the above restrictions constitute a substantial risk of forfeiture.

5. The fair market value at the time of transfer (determined without regard to any restriction other than a restriction which by its terms will never lapse) of the property with respect to which the election is being made:

The fair market value at the time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the Shares with respect to which this election is being made is _____ Dollars (\$_____) per share for a total of _____.

6. The amount (if any), paid for such property:

The taxpayer paid nothing for the Shares.

7. Copies Furnished:

A copy of this statement has been furnished to Celsion Corporation, the person for whom the services are performed (the employer).

Date: _____, 200__

[Signature of Taxpayer]

Letter for filing §83(b) Election Form

[Date]

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Internal Revenue Service Center

[Address**]** **[**the Service Center to which individual income tax return is filed**]**

Re: **83(b) Election of** _____
Social Security Number: _____

Dear Sir/Madam:

Enclosed is an election under §83(b) of the Internal Revenue Code of 1986 with respect to certain shares of Celsion Corporation that were transferred to me on _____, 200_.

Please file this election.

Sincerely,

ATTACHMENT C: EXPLANATION OF SECTION 83(B) ELECTION

This memorandum provides general information regarding the potential tax consequences to you from the grant of restricted common stock (the "Stock") of Celsion Corporation ("the Corporation"). ***Because this is intended to provide only a summary of the highlights of the potential tax consequences from such a grant and does not discuss all complexities or exceptions, we recommend that you consult your own tax advisor before taking any action with respect to these matters.***

The tax consequences of transfers of property in connection with the performance of services are generally governed by Section 83 of the Internal Revenue Code of 1986, as amended (the "Code"), as follows.

- Under Code Section 83 you are generally required to recognize as ordinary income the fair market value of the Stock as of the date the Stock is no longer subject to a substantial risk of forfeiture, which is generally the year you vest in the Stock. At that time, in the case of an employee, the income from the Stock would be reported to the IRS on Form W-2 and the employee would be responsible to make arrangements with the Corporation to deposit the tax withholding due on the income.
- Under an exception to the general rules above, you may file with the IRS within 30 days of the date of your restricted stock agreement an election (a "Section 83(b) Election") to include as ordinary income in the year the Stock is granted the fair market value of the Stock at the date of grant. If the Section 83(b) Election is filed, in the case of an employee, the income from the Stock would be reported to the IRS on Form W-2 for the year of grant and the employee would be responsible to make arrangements with the Corporation to deposit the tax withholding due on the income as of the grant date.

Any additional gain or loss on the sale of the Stock after its value has been reported as ordinary income to you (either under the general rules of Section 83 or as the result of a Section 83(b) Election) would generally be taxable as capital gain or loss.

Please note that if a Section 83(b) Election is made and you subsequently forfeit some or all of the Stock, you would not be entitled to a deduction or any other adjustment with respect to the gross income you recognized in the year of grant.

To make a Section 83(b) Election, you must file a signed election form with the Internal Revenue Service within thirty (30) days of the date the Stock is granted (*i.e.*, within thirty (30) days of the date of the restricted stock agreement). In addition, you must furnish the Corporation with a copy of the Section 83(b) Election form and attach a copy of the election form to your individual income tax return for the year in which the Stock was granted. For this purpose, we may enclose a sample Section 83(b) Election form (partially completed) with your grant. ***However, it is solely your responsibility to determine whether to file a Section 83(b) Election and to timely and properly file the Section 83(b) Election if you decide to do so.***

Again, we emphasize that you should contact your tax counsel regarding these matters.

**CELSION CORPORATION
2004 STOCK INCENTIVE PLAN
STOCK OPTION GRANT AGREEMENT**

THIS GRANT AGREEMENT (this "Agreement") is made and entered into as of the 3rd day of **October 2006**, by and between **CELSION CORPORATION** (the "Corporation"), a Delaware corporation, and **William Hahne**, an individual employed by or performing services for the Corporation ("Grantee").

**ARTICLE 1
GRANT OF OPTION**

Section 1.1 Grant of Options. Subject to the provisions of this Agreement, and pursuant to the provisions of the Celsion Corporation 2004 Stock Incentive Plan (the "Plan"), the Corporation hereby grants to Grantee, as of the Grant Date specified in Attachment A, a Stock Option (the "Option") of the type stated in Attachment A to purchase all or any part of the number and class of shares of Common Stock set forth on Attachment A ("Shares") at the exercise price per share ("Option Price") set forth in Attachment A.

Section 1.2 Term of Options. Subject to earlier termination in accordance with the remaining provisions of this Agreement, the Plan or otherwise, any unexercised portion of the Option shall expire at 5:00 p.m. Columbia, Maryland time on the expiration date specified in Attachment A. In no event will the Option expire later than the day prior to the tenth (10th) anniversary of the grant date (the "Grant Date") set forth in Attachment A.

**ARTICLE 2
VESTING**

Section 2.1 Vesting Schedule. Subject to earlier termination or acceleration in accordance with the remaining provisions of this Agreement, the Plan or otherwise, the Option will vest on the dates (each, a "Vesting Date"), and with respect to the number of Shares, specified in Attachment A, *provided* that the Shares subject to vesting on a particular Vesting Date shall so vest only if Grantee shall have been in the continuous employ of or affiliation (as a consultant or director) with the Corporation from the Grant Date through such Vesting Date.

Section 2.2 Acceleration Upon Change of Control. Notwithstanding any language to the contrary contained herein, if this Agreement is in effect at the time of the occurrence of a “Change of Control” event, all Options granted hereunder not then vested shall automatically fully vest and become immediately exercisable simultaneously with the occurrence of such Change of Control event. For purposes of this Agreement, “Change of Control” event, means (A) if any Person, or combination of Persons (as hereinafter defined), or any affiliate of any of the above, is or becomes the “beneficial owner” (as defined in Rule 13d-3 promulgated under the Securities Exchange Act of 1934) directly or indirectly, of securities of the Corporation representing twenty-five percent (25%) or more of the total number of outstanding shares of common stock of the Corporation; (B) if individuals who, on the date of this Agreement, constitute the Board (the “Incumbent Directors”) cease, for any reason, to constitute at least a majority thereof, *provided* that any new director whose election was approved by a vote of at least seventy-five percent (75%) of the Incumbent Directors (or directors theretofore approved by the Incumbent Directors) shall be treated as an Incumbent Director; or (C) the Corporation sells substantially all of its assets to a purchaser other than a subsidiary. For purposes hereof, “person” shall mean any individual, partnership, joint venture, association, trust, or other entity, including a “group” deemed to be so for purposes of Section 3(d)(3) of the Securities Exchange Act of 1934.

ARTICLE 3 EXERCISE OF OPTION

Section 3.1 Exercisability of Option. No portion of the Option granted to Grantee shall be exercisable by Grantee prior to the time such portion of the Option has vested.

Section 3.2 Manner of Exercise. The vested portion of the Option may be exercised, in whole or in part, at any time or from time to time, by delivering written notice to the Compensation Committee of the Board of Directors or such committee or the whole Board of Directors as may be discharging the duties normally assigned to a compensation committee (the “Committee”) in the form attached hereto as Attachment B or in such other form as the Committee may prescribe from time to time. Such notice shall specify the number of Shares subject to the Option as to which the Option is being exercised, and shall be accompanied by full payment of the Option Price of the Shares as to which the Option is being exercised. Payment of the Option Price shall be made in cash (or cash equivalents acceptable to the Committee in the Committee’s discretion). In the Committee’s sole and absolute discretion, the Committee may authorize payment of the Option Price to be made, in whole or in part, by such other means as the Committee may prescribe. The Option may be exercised only in multiples of whole Shares and no partial Shares, or scrip in lieu thereof, shall be issued.

Section 3.3 Issuance of Shares and Payment of Cash upon Exercise. Upon exercise of the Option, in whole or in part, in accordance with the terms of this

Agreement and upon payment of the Option Price for the Shares as to which the Option is exercised, the Corporation shall issue to Grantee or, in the event of Grantee's death, to Grantee's executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution, as the case may be, the number of Shares so paid for, in the form of fully paid and nonassessable Shares. The stock certificates for any Shares issued hereunder shall, if such Shares are not registered or an exemption from registration is not available under applicable federal and state law, bear a legend restricting transferability of such shares.

ARTICLE 4 TERMINATION OF EMPLOYMENT

Section 4.1 Unvested Portion. Subject to earlier termination in accordance with the remaining provisions of this Agreement, the Plan or otherwise, the unvested portion of the Option shall terminate upon termination of Grantee's employment by or affiliation (as a consultant or director) with the Corporation for any reason.

Section 4.2 Vested Portion Upon Termination of Employment or Affiliation for Reason Other Than Death or Disability. Subject to earlier termination in accordance with the terms of this Agreement, the Plan or otherwise, and to the terms of any other controlling agreement extending the time for exercise, any vested but unexercised portion of the Option shall terminate (i) immediately upon termination of Grantee's employment by or affiliation (as a consultant or director) with the Corporation by resignation or for "cause" or (ii) ninety (90) days after termination of Grantee's employment by or affiliation (as a consultant or director) with the Corporation for any other reason except the Grantee's death or Disability. If Grantee is a party to a written employment agreement with the Corporation which contains a definition of "cause", "termination for cause" or any other similar term or phrase, determination of whether Grantee is terminated for "cause" pursuant to this Section 4.2 shall be determined according to the terms of and in a manner consistent with the provisions of such written employment agreement. If Grantee is not party to such a written employment agreement with the Corporation, then for purposes of this Section 4.2, "cause" shall mean (a) the failure by the Grantee to perform his or her duties as assigned by the Corporation in a reasonable manner; (b) any act by the Grantee of dishonesty or bad faith with respect to the Corporation; or (c) the commission by the Grantee of any act, misdemeanor, or crime reflecting unfavorably upon Grantee or the Corporation. The good faith determination by the Committee of whether the Grantee's employment was terminated by the Corporation for "cause" shall be final and binding for all purposes.

Section 4.3 Vested Portion Upon Grantee's Death. Subject to earlier termination in accordance with the terms of this Agreement, the Plan or otherwise, and to the terms of any other controlling agreement extending the time for exercise, upon Grantee's death Grantee's executor, personal representative or the person to whom the Option shall have been transferred by will or the laws of descent and distribution (Grantee's "Representative"), as the case may be, may exercise all or any part of the

vested portion of the Option, at any time or from time to time during the period of twelve (12) months after the date Grantee dies, or, if shorter, the remainder of the term of the Option as provided herein.

Section 4.4 Vested Portion Upon Termination of Employment or Affiliation by Reason of Disability. Subject to earlier termination in accordance with the terms of this Agreement, the Plan or otherwise, and to the terms of any other controlling agreement extending the time for exercise, in the event that Grantee ceases, by reason of Disability, to be an employee of or affiliated (as a consultant or director) with the Corporation, the vested portion of the Option may be exercised in whole or in part by the Grantee or the Grantee's legal representative or guardian or person legally acting in a similar capacity (Grantee's "Guardian"), if any, at any time or from time to time during the period of twelve (12) months after the date of Disability (determined as provided below) or, if shorter, the remainder of the term of the Option as provided herein. For purposes of this Agreement, Disability shall be as defined in Section 22(e)(3) of the Internal Revenue Code of 1986, as amended and the rules and regulations thereunder, or any success or statute thereto and the rules and regulations thereunder (the "Code"), and shall be determined by the Committee, with its determination on the matter being final and binding for all purposes.

ARTICLE 5 MISCELLANEOUS

Section 5.1 Non-Guarantee of Employment. Nothing in the Plan or this Agreement shall be construed as an employment, consulting or similar services contract between the Corporation (or an affiliate) and Grantee, or as a contractual right of Grantee to continue as an employee or, consultant to the Corporation (or an affiliate) or in any similar capacity, or as a limitation of the right of the Corporation (or an affiliate) to discharge Grantee at any time.

Section 5.2 No Rights of Stockholder. Grantee (or, in the case of death or disability, Grantee's Representative or Guardian) shall not have any of the rights of a stockholder with respect to the Shares that may be issued upon the exercise of the Option until such Shares have been fully paid for and duly issued thereto upon the due exercise of the Option.

Section 5.3 Notice of Disqualifying Disposition. If Grantee makes a disposition (as that term is defined in §424(c) of the Code) of any Shares acquired pursuant to the exercise of an Incentive Stock Option within two (2) years of the Grant Date or within one (1) year after the Shares are transferred to Grantee, Grantee shall notify the Committee of such disposition in writing, setting forth, in reasonable detail, the terms and circumstances of such disposition.

Section 5.4 Withholding of Taxes. The Corporation or any affiliate shall have the right to deduct from any compensation or any other payment of any kind (including

withholding the issuance of Shares) due Grantee the amount of any federal, state or local taxes required by law to be withheld as the result of the exercise of the Option or the disposition (as that term is defined in §424(c) of the Code) of Shares acquired pursuant to the exercise of the Option. In lieu of such deduction, the Committee may require Grantee to make a cash payment to the Corporation or an affiliate equal to the amount required to be withheld. If Grantee does not make such payment when requested, the Corporation may refuse to issue any certificate for Shares until such time, if any, as arrangements satisfactory to the Committee for such payment have been made.

Section 5.5 Nontransferability of Option. The Option shall be nontransferable otherwise than by will or the laws of descent and distribution. During the lifetime of Grantee, the Option may be exercised only by Grantee or, during the period Grantee is under a legal disability, by Grantee's Guardian.

Section 5.6 Agreement Subject to Charter and Bylaws. This Agreement is subject to the Charter and Bylaws of the Corporation, and any applicable Federal or state laws, rules or regulations, including without limitation, the laws, rules, and regulations of the State of Delaware.

Section 5.7 Gender and Number. Except as the context otherwise requires, terms used herein in the singular shall extend to and include the plural, terms used in the plural shall extend to and include the singular and works used in either gender or the neuter shall extend to and include each other gender or be neutral.

Section 5.8 Headings. Captions to and headings of the various provisions hereof are solely for the convenience of the parties, are not a part of this agreement, and shall not be used for the interpretation of or determination of the validity of this Agreement or any term or provision hereof.

Section 5.9 Notices. All notices and other communications made or given pursuant to the Agreement shall be in writing and shall be sufficiently made or given if hand delivered, sent by courier or reputable overnight delivery company, transmitted by facsimile, e-mail or other electronic means (provided that the party giving such notice or effecting such communication receives confirmation of transmittal thereof), or mailed by certified mail, addressed to Grantee at the address or facsimile number contained in the records of the Corporation, or addressed to the Committee, care of the Corporation for the attention of its Secretary at its principal office. Any notice or other communication shall be deemed given on the date of actual delivery, if hand delivered, on the business day next succeeding the date of dispatch, if sent by courier or delivery company or if transmitted by facsimile, e-mail or similar electronic means, and on the third business day following dispatch if mailed.

Section 5.10 Entire Agreement; Modification. The Agreement, including Attachments A and B hereto, which are incorporated herein by reference and made a part hereof, together with the Plan and any other agreement that makes reference hereto or to the Plan contains the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan or in a written document signed by each of the parties hereto.

Section 5.11 Conformity with Plan. This Agreement is intended to conform in all respects with, and is subject to all applicable provisions of, the Plan, which is incorporated herein by reference. Unless stated otherwise herein, capitalized terms in this Agreement shall have the same meaning as defined in the Plan. Inconsistencies between this Agreement and the Plan shall be resolved in accordance with the terms of the Plan. In the event of any ambiguity in the Agreement or any matters as to which the Agreement is silent, the Plan shall govern including, without limitation, the provisions thereof pursuant to which the Committee has the power, among others, to (i) interpret the Plan and Grant Agreements related thereto, (ii) prescribe, amend and rescind rules and regulations relating to the Plan, and (iii) make all other determinations deemed necessary or advisable for the administration of the Plan. The Grantee acknowledges by signing this Agreement that he or she has received and reviewed a copy of the Plan.

IN WITNESS WHEREOF, the parties have executed the Agreement as of the date first above written.

ATTEST:

Name:
Title:

WITNESS:

CELSION CORPORATION

By: /s/ Anthony P. Deasey (SEAL)
Name: Anthony P. Deasey
Title: Executive Vice President and
Chief Operating Officer

GRANTEE

/s/ William Hahne (SEAL)
Name: William Hahne

ATTACHMENT A

Grantee: William Hahne

Type of Option: Nonqualified Stock Option

Grant Date: October 3, 2006

Number and Class of Shares: 5,100 Shares of Common Stock

Exercise Price Per Share: \$2.44

Expiration Date: October 3, 2016

Termination Date: Subject to any exceptions set out in the Agreement, the Option terminates at the following times after your termination of employment or affiliation with the Corporation:

Immediately – upon resignation or termination for cause

12 months – following termination due to death or Disability

90 days – following termination for any other reason.

Vesting Schedule:

The Option shall become vested and exercisable with respect to:

1,700 of the shares subject to Option on October 3, 2007

1,700 of the shares subject to Option on October 3, 2008

1,700 of the shares subject to Option on October 3, 2009

ATTACHMENT B
EXERCISE FORM

Celsion Corporation
10220-L Old Columbia Road
Columbia, MD 21046-1705

Gentlemen:

1. Exercise of Stock Option. I hereby exercise the [Insert Type] _____ Stock Option (the "Stock Option") granted to me on _____, 200__, by Celsion Corporation (the "Corporation"), subject to all the terms and provisions thereof and of the Celsion Corporation 2004 Stock Incentive Plan (the "Plan"), and notify you of my desire to purchase _____ shares (the "Shares") of Common Stock of the Corporation at a price of \$_____ per Share pursuant to the exercise of said Stock Option.

2. Information about the Corporation. I am aware of the Corporation's business affairs and financial condition and have acquired sufficient information about the Corporation to reach an informed and knowledgeable decision to acquire the Shares.

3. Tax Consequences. I am not relying upon the Corporation for any tax advice in connection with this option exercise, but rather am relying on my own personal tax advisors in connection with the exercise of the Stock Option and any subsequent disposition of the Shares.

4. Tax Withholding. I understand that, in the case of a nonqualified stock option, I must submit upon demand from the Corporation an amount in cash or cash equivalents sufficient to satisfy any federal, state or local tax withholding applicable to this Stock Option exercise, in addition to the purchase price enclosed, or make such other arrangements for such tax withholding that are satisfactory to the Corporation, in its sole discretion, in order for this exercise to be effective.

5. Unregistered Shares. The following shall apply in the event the Shares purchased herein are not registered under the Securities Act of 1933, as amended:

(a) I am acquiring the Shares for my own account for investment with no present intention of dividing my interest with others or of reselling or otherwise disposing of any of the Shares.

(b) The Shares are being issued without registration under the Securities Act of 1933, as amended (the "Act"), in reliance upon the exemption provided by Section 3(b) of the Act for employee benefit plans, contained in Rule 701 promulgated thereunder, or in lieu thereof upon the private offering exemption contained in Section 4(2) of the Act, and such reliance is based in part on the above representation.

(c) Since the Shares have not been registered under the Act, they must be held indefinitely until an exemption from the registration requirements of the Act is available or they are subsequently registered, in which event the representation in Paragraph (a) hereof shall terminate. As a condition to any transfer of the Shares, I understand that the Corporation will require an opinion of counsel satisfactory to the Corporation to the effect that such transfer does not require registration under the Act or any state securities law.

(d) The issuer is not obligated to comply with the registration requirements of the Act or with the requirements for an exemption under Regulation A under the Act for my benefit.

(e) The certificates for the shares to be issued to me shall contain appropriate legends to reflect the restrictions on transferability imposed by the Act.

Total Amount Enclosed: \$ _____

Date: _____

(Optionee)

Received by Celsion Corporation

On: _____, 20__

By: _____