

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q/A

(Mark One)

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

For the Quarterly Period ended December 31, 1999

or

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 000-14242

CELSION CORPORATION

(Exact name of registrant as specified in its charter)

Maryland

52-1256615

State or other jurisdiction of
incorporation or organization

(I.R.S. Employer
Identification No.)

10220-I Old Columbia Road, Columbia, Maryland 21046-1705

(Address of principal executive offices) (Zip Code)

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

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

As of December 31, 1999, the Registrant had outstanding 54,188,294 shares of
Common Stock, \$.01 par value.

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Item 3. Defaults upon Senior Securities
None.

Item 4. Submission of Matters to a Vote of Securities Holders
None.

Item 5. Other Information

On February 7, 2000, the Company issued a call for redemption of its
Series 700 and Series 800 Warrants, which enable the holders thereof to purchase
shares of Common Stock at prices of \$1.00 and \$0.90 per share, respectively. The
Series 700 Warrants relate to a total of 2,583,000, and the Series 800 Warrants
relate to a total of 2,610,000 shares of Common Stock. The Company anticipates
that a substantial number of Series 700 and Series 800 Warrants will be
exercised since the redemption price for such Warrants is equal to only \$0.01
per share. Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

3. Articles Supplementary amending the Articles of Incorporation of the Company filed January 31, 2000 with the State of Maryland*
- 10.1 Employment Agreement between the Company and Spencer J. Volk dated January 14, 2000*
- 10.2 Employment Agreement between the Company and Augustine Y. Cheung dated January 14, 2000*
11. Computation of per share earnings
27. Financial Data Schedule

*Exhibits filed with this Amendment.

(b) Reports on Form 8-K.

Form 8-K was filed on February 3, 2000, reporting on the completion of a recent private placement financing and a related capitalization change, new executive employment agreements and commencement of clinical trials. No financial statements were filed with the Form 8-K.

CELSION CORPORATION
Articles Supplementary

CELSION CORPORATION, a corporation (the "Corporation") organized and existing under the laws of the State of Maryland, having its principal office in Columbia, Maryland, hereby CERTIFIES to the State Department of Assessments and Taxation of Maryland that:

FIRST: Pursuant to authority contained in the Corporation's Charter, Seven Thousand (7,000) authorized but unissued shares of the Corporation's capital stock, \$.01 par value, have been duly reclassified by the Board of Directors of the Corporation as authorized but unissued shares of Series A 10% Convertible Preferred Stock.

SECOND: A description of the Series A 10% Convertible Preferred Stock and of the powers, designation, preferences and rights of the shares of such Series, and the qualifications, limitations, or restrictions thereof, is as follows:

1. Designation and Par Value.

The formal designation of the shares so reclassified by the Board of Directors shall be Series A 10% Convertible Preferred Stock (referred to herein for convenience as "Series A Preferred Stock" or as "Preferred Shares"). The par value of Series A Preferred Stock is \$.01 per share.

2. Liquidation Preference and Ranking.

(a) Upon any voluntary or involuntary liquidation, dissolution or winding up of the business and affairs of the Corporation, and

before the holders of shares of Common Stock or any other class or series of stock of the Corporation ranking junior on liquidation to the Series A Preferred Stock shall be entitled to any payment on account of such shares, the holders of Series A Preferred Stock then outstanding shall be entitled to receive, as a liquidation preference, an amount equal to One Thousand (\$1,000.00) Dollars per share (the "Original Cost"), plus any accrued but unpaid dividends (the Original Cost plus such dividends being referred to as the "Liquidation Preference") to which such shareholders have become entitled and which have not theretofore been paid. After the holders of Series A Preferred Stock shall have received such

payment of the Liquidation Preference plus all accrued and unpaid dividends in the course of such liquidation, dissolution or winding up, they shall have no right or claim to any of the remaining assets of the Corporation.

(b) If upon any liquidation, dissolution or winding up, the Corporation shall have insufficient funds to permit payment to the holders of Series A Preferred Stock then outstanding of the entire amount to which they are entitled as a Liquidation Preference thereunder, then such funds as are available for such purpose shall be distributed among such holders on the basis of the number of shares of Series A Preferred Stock held by each such holder so that, as nearly as may be practicable, the amount each such holder shall receive shall represent the same proportion of such available funds as such holder's total holding of shares of Series A Preferred Stock represents of the total shares of Series A Preferred Stock at the time outstanding.

(c) For all purposes under these Articles Supplementary, all shares of Series A Preferred Stock shall be of equal rank with each other.

3. Dividends.

(a) The holders of Series A Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors of the Corporation, out of capital surplus or earnings at the time legally available therefor, dividends at the annual rate of 10% per share, payable in fully-paid and non-assessable shares of Series A Preferred Stock which shall be valued, for this purpose, at an amount equal to the Original Cost. Dividends shall accrue, whether or not declared, unless such dividends are then prohibited by the provisions of the Maryland General Corporation Law or the Corporation's Certificate of Incorporation.

(b) Dividends shall be cumulative and shall be payable semi-annually on March 31 and on September 30 in each year commencing January 1, 2000, to stockholders of record on the immediately preceding March 15th and September 15th, respectively, or such other record date fixed for the purpose by the Board of Directors. Dividends payable with respect to any shares of Series A Preferred Stock for the initial dividend period and for any period less than a full six-month period shall accrue from the date of issuance of such shares of Series A Preferred Stock on which such dividends are payable, and shall be computed and apportioned on the basis of a 180-day period composed of six 30-day months. Holders of Series A Preferred Stock shall not be entitled to any dividends in excess of the full dividends provided for herein, and no interest or sum of money in lieu of interest shall be payable in respect of any dividend payment which may be in arrears. No dividends shall be payable on any fractional or full shares of Series A Preferred Stock which shall have been declared, paid or distributed as dividends on outstanding Preferred Shares.

4. No Dividends or Distributions to Junior Securities.

Except as may be otherwise provided in these Articles Supplementary, so long as any shares of Series A Preferred Stock are outstanding, no dividends shall be declared or paid or set aside for payment, and no other distribution shall be declared or made, upon any Common Stock of the Corporation or upon any other shares of a class or series of stock which is junior in right and ranking to the Series A Preferred Stock, unless all amounts then due to the holders of Series A Preferred Stock, including the dividends provided for herein, have been paid.

5. Voting Rights.

Except as otherwise expressly provided herein or as provided by law, the Series A Preferred Stock shall have no voting rights. However, notwithstanding the foregoing, the written consent or affirmative vote of the holders of a majority of the outstanding Series A Preferred Stock is required to approve (i) any proposed amendment to the Company's Certificate of Incorporation that would materially alter or change the powers, preferences, or special rights of the Series A Preferred Stock so as to affect the holders adversely, and (ii) any plan of merger or consolidation that contains provisions which, if contained in a proposed amendment to the Company's Certificate of Incorporation, would have entitled the holders of the Series A Preferred Stock to vote, as a class, on the issue.

6. Exchange and Conversion Rights.

The Preferred Shares and any fractional Preferred Shares (including, for such purposes, any shares and fractional shares issued or issuable as dividends) will be entitled to the following rights of exchange and conversion, subject to any limitations and conditions provided in these Articles Supplementary:

(a) (i) If the Corporation undertakes a public securities offering ("Public Offering") registered with the Securities and Exchange Commission ("SEC") consisting of either (i) equity securities of the Corporation or (ii) units ("Units") comprised of equity securities of the Corporation and of shares of any subsidiary of the Corporation (the securities and/or Units to be sold in such public offering being referred to as "Public Offering Securities"), and provided that such Public Offering is consummated by the first anniversary of the date of sale in a private placement (the "Private Placement") offering of at least \$2,500,000 in aggregate Original Cost of Series A Preferred Stock (such date being referred to as the "Minimum Closing Date"), the Corporation will promptly furnish each holder with written notice of the Corporation's filing with the SEC of a registration statement concerning the Public Offering. Within 30 days after the giving of such notice (the "30-day Election Period"), each such holder will be required to notify the Corporation, by returning a form to be furnished to each holder of Preferred Shares by the Corporation, that such holder elects, contingent on the consummation of the Public Offering, either (1) to exchange 100% of the Preferred Shares then held by such holder (including Preferred Shares and fractional Preferred Shares issued as dividends) for such Public Offering Securities at an exchange price which will be equal to 70% of the public offering price of the Public Offering Securities, or (2) to exchange 50% of the Preferred Shares then held by such holder (including Preferred Shares and fractional Preferred Shares issued as dividends) for Public Offering Securities at an exchange price which will be equal to 70% of the public offering price of the Public Offering Securities and to convert the remaining 50% of such Preferred Shares into the Company's Common Stock ("Common Stock") at a conversion

price of \$0.41 per share of Common Stock, as such price may be adjusted from time to time in accordance with the provisions of Section 7 below (as so adjusted, the "Conversion Price"). Concurrently with the consummation of the Public Offering, each holder who has made such an election shall surrender and deliver to the Corporation or to the exchange agent or transfer agent designated for such purpose by the Corporation, certificates for the Preferred Shares being exchanged, or exchanged and converted as the case may be, as set forth in such holder's election as described in the immediately preceding sentence. Within five (5) business days thereafter, the Corporation will cause to be issued to each holder certificates representing the Public Offering Securities being issued in exchange for such Preferred Shares, and, as the case may be, certificates representing shares of Common Stock into which 50% of such Preferred Shares are being converted if such holder has so elected in accordance with this Paragraph (a).

(ii) In addition, if the Corporation shall, within 12 months after the Minimum Closing Date, consummate the sale of any subsidiary of the Corporation (or all or substantially all of the assets of such subsidiary) to a public company, or shall complete a merger of such subsidiary into a public company (a "Disposition Transaction"), for consideration consisting of securities of such public company (the "Disposition Securities"), each holder of Preferred Shares will be promptly notified of such Disposition Transaction in a manner similar to that provided for in the immediately preceding sub-paragraph, and will have a similar 30-day Election Period to elect either (1) to exchange 100% of the holder's Preferred Shares for such Disposition Securities at an exchange price equal to 70% of the price of the Disposition Securities established in the Disposition

Transaction, or (2) to exchange 50% of such holder's Preferred Shares for Disposition Securities on the same terms and to convert the remainder of such Preferred Shares into Common Stock at the Conversion Price. Within 20 days after the expiration of the applicable 30-day Election Period, each holder who has made such an election shall surrender and deliver to the Corporation or to the exchange agent or transfer agent designated for such purpose by the Corporation, certificates for the Preferred Shares being exchanged, or exchanged and converted as the case may be, as set forth in such holder's election as described in the immediately preceding sentence. Within five (5) business days thereafter, the Corporation will cause to be issued to each holder certificates representing the Disposition Securities being issued in exchange for such Preferred Shares, and, as the case may be, certificates representing shares of Common Stock into which 50% of such Preferred Shares are being converted if such holder has so elected.

(b) If any holder of Preferred Shares does not elect either exchange alternative (1) or exchange alternative (2) described in sub-paragraph (a) (i) or (a) (ii) above, as the case may be, within the applicable 30-day Election Period, all rights of any such non-electing holder to exchange such Preferred Shares for Public Offering Securities (or Disposition Securities, as the case may be) or to convert such Preferred Shares into Common Stock at such time or at any time thereafter shall, provided the Public Offering or the Disposition Transaction, as the case may be, is consummated by the first anniversary of the Minimum Closing Date, immediately lapse and completely terminate. The Corporation will, within a reasonable time thereafter, redeem the Preferred Shares held by such non-electing holder at a redemption price per

share equal to 105% of the Liquidation Preference, in accordance with the provisions of Section 8 below, except that such non-electing holder shall not be permitted to exercise any right to convert the Preferred Shares into Common Stock granted under the provisions of paragraph (c) of this Section 6.

(c) Other than as set forth in Paragraph (a) of this Section 6, the holders of Series A Preferred Stock will not have any right to convert their Preferred Shares prior to the earlier of (i) the first anniversary of the Minimum Closing Date or (ii) the Corporation's issuance of a Redemption Notice as defined in paragraph (b) of Section 8. If the Public Offering is not consummated by the first anniversary of the Minimum Closing Date, then, at the election of any holder of Preferred Shares at any time thereafter, and subject to the condition set forth in Paragraph (d) of this Section 6, such holder may convert his Preferred Shares (including any whole or fractional Preferred Shares received as dividends under the provisions of Section 3) in whole or in part into shares of the Company's Common Stock at the Conversion Price, in accordance with the conversion procedure set forth in Paragraph (e) of this Section 6.

(d) In addition, if at any time subsequent to the first anniversary of the Minimum Closing Date (no sale of Public Offering Securities having been consummated by such first anniversary), the Corporation undertakes a public offering consisting of the sale of Common Stock for its own account, then, at the specific election of the Corporation and upon notice to the holders of the Preferred Stock, such holders may be required to convert their shares of Preferred Stock (including any whole or fractional Preferred Shares received as dividends under the provisions of Section 3) into shares of Common Stock at the Conversion Price. Such election by the Corporation may be exercised by the giving of notice to holders of Preferred Shares, establishing a period of least 30 days from the date of such notice, during which holders shall convert their

Preferred Shares into shares of Common Stock at the Conversion Price, and after which all conversion rights of such holders shall lapse and completely terminate.

(e) A right to convert Preferred Shares into shares of Common Stock under paragraph (c) or (d) of this Section 6 shall be exercised by a holder by delivering to the Corporation during regular business hours, or to such agent as may be designated by the Corporation, the original certificate or certificates for the shares to be converted, duly endorsed or assigned either in blank or to the Corporation, accompanied by written notice in substantially the form annexed hereto as Exhibit A, stating that the holder elects to convert such shares (or the amount thereof as to which the conversion right is to be exercised, which amount shall be not less than that represented by shares having an aggregate Original Cost of \$5,000) and stating the name or names (with address and Social Security or Federal Taxpayer Identification Number) in which the certificate or certificates for the shares of Common Stock are to be issued. Conversion shall be deemed to have been effected on the date when the aforesaid delivery is made (the "Conversion Date"). As promptly as practicable thereafter, the Corporation shall issue and deliver to such holder (or upon the written order of such holder) to the place designated by such holder, a certificate or certificates for the number of shares of Common Stock to which such holder is entitled. The person in whose name the certificate or certificates for Common Stock are to be issued shall be deemed to have become a stockholder of record on the applicable Conversion Date unless the transfer books of the Corporation are closed on that date, in which event such person shall be deemed to have become a stockholder of record on the next succeeding date on which the transfer books are open. Upon conversion of only a portion of the number of shares covered by a certificate representing shares of Series A Preferred Stock surrendered for conversion, the Corporation shall issue and deliver to such holder, or upon the

written order of the holder of the certificate so surrendered for conversion, at the expense of the Corporation, a new certificate covering the number of shares of Series A Preferred Stock representing the unconverted portion of the certificate so surrendered.

(f) The Corporation shall, at all times when Series A Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued stock, for the purpose of effecting the conversion of Series A Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding shares of Series A Preferred Stock.

(g) All shares of Common Stock which may be issued in connection with the conversion provisions set forth herein will, upon issuance by the Corporation, be validly issued, fully paid and non-assessable. No adjustment shall be made for dividends on any share of Series A Preferred Stock which is being converted (unless such dividends have been accrued and are unpaid as of the Conversion Date) or on any share of Common Stock issued on exercise of a holder's Conversion Right.

(h) No fractional shares of Common Stock shall be issued upon conversion of the Series A referred Stock and, in lieu of any fractional shares to which the holder would otherwise be entitled, the number of shares of Common Stock issuable upon conversion shall be rounded to the nearest whole number.

(i) All shares of Series A Preferred Stock which shall have been surrendered for conversion or exchange as herein provided shall no longer be deemed to be outstanding, and all rights with respect to such shares, including the rights, if any, to receive notices and to vote, shall immediately cease and terminate on the Conversion Date, with respect Preferred Shares which

have been converted, and on the specified effective date of exchange for Preferred Shares which have been exchanged, except only the right of the holders thereof to receive shares of Common Stock, or Public Offering Securities, in conversion or exchange therefor. Any shares of Series A Preferred Stock so converted or exchanged shall be retired and canceled and shall not be reissued, and the Corporation (without the need for stockholder action) may from time to time take such appropriate action as may be necessary to reduce the authorized number of shares of Series A Preferred Stock accordingly.

(j) The Corporation shall pay any and all issue and other taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Series A Preferred Stock pursuant to this Section 6. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Series A Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

7. Adjustments to Conversion Price.

The Conversion Price (which is initially established at \$.41 per share of Common Stock) in effect from time to time shall be subject to adjustment (to the nearest cent) from time to time as follows:

(a) If the Corporation, at any time after the Minimum Closing Date and at any time prior to the conversion of a Preferred Share shall have subdivided its outstanding shares of Common Stock by recapitalization, reclassification or split-up thereof, or if the Corporation shall have declared a stock dividend or distributed shares of Common Stock to its stockholders, the

Conversion Price immediately prior to such conversion shall be proportionately increased; and if the Corporation, prior to such conversion, shall have at any time combined the outstanding shares of Common Stock by recapitalization, reclassification or comparable combination thereof, the Conversion Price immediately prior to such conversion shall be proportionately increased.

(b) In case the Corporation, after the Minimum Closing Date, shall consolidate with or merge into another corporation or convey all or substantially all of its assets to another corporation, then, and in each such case, the Conversion Price shall be adjusted in such manner that the holder of Preferred Shares, upon the conversion thereof as provided in Section 6 above, at any time after the consummation of such consolidation, merger or conveyance, shall be entitled to receive the securities or property to which such holder would have been entitled upon such consummation if such holder had exercised his right to convert such Preferred Shares immediately prior thereto.

(c) For purposes hereof, the term "Additional Shares of Common Stock" shall mean all shares of Common Stock issued by the Corporation after the Minimum Closing Date, or shares of Common Stock issuable upon conversion or exchange of any securities (including, for this purpose, preferred stock other than the Preferred Shares, and notes and debentures) convertible into Common Stock ("Convertible Securities"), but not warrants or options issued after the Minimum Closing Date, except to the extent such warrants or options are actually exercised. If the Corporation at any time or from time to time after the Minimum Closing Date shall agree to issue any Convertible Securities or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto without regard to

any provision contained therein for a subsequent adjustment of such number) issuable upon the conversion such Convertible Securities shall be deemed to be Additional Shares of Common Stock, but only as of the time of such issuance of Convertible Securities or, in case such a record date shall have been fixed, only as of the close of business on such record date, provided that Additional Shares of Common Stock shall not be deemed to have been issued unless the consideration per share (determined pursuant to paragraph (e) of this Section 7) of such Additional Shares of Common Stock would be less than the Adjustment Base Price as defined below in effect on the date of and immediately prior to such issue, or such record date, as the case may be, and provided further that in any such case in which Additional Shares of Common Stock are deemed to be issued pursuant to this paragraph (c), no further adjustment in the Conversion Price shall be made upon the subsequent issuance of Common Stock at the time of the actual conversion of such Convertible Securities.

(d) In the event the Corporation shall at any time after the Minimum Closing Date issue Additional Shares of Common Stock, including Additional Shares of Common Stock deemed to be issued pursuant to paragraph (c) of this Section 7 (except for issuances of Common Stock described in paragraph (f) below) without consideration or for a consideration per share less than the greater of (A) the applicable Conversion Price in effect immediately prior to such issuance, and (B) 50% of the Current Market Value per share of Common Stock (as defined below) as of the date of such issuance (such greater amount being defined as the "Adjustment Base Price"), then and in such event, such Conversion Price shall be reduced, concurrently with such issuance, to a price (calculated to the nearest cent) determined by multiplying such Conversion Price by a fraction: (A) the numerator of which shall be (1) the number of shares of Common Stock outstanding immediately prior to such issuance plus (2) the quotient

derived by dividing the aggregate consideration received from such issuance of Additional Shares of Common Stock by the Adjustment Base Price; and (B) the denominator of which shall be the number of shares of Common Stock outstanding immediately prior to such issue plus the number of such Additional Shares of Common Stock so issued. For purposes hereof, Current Market Value shall mean the Common Stock average closing price over a period of 60 trading days ending on the day immediately preceding the date of issuance of the shares which are the subject of the above calculations.

(e) For purposes of Paragraph (d) of this Section 7, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock referred to therein shall be computed as follows:

Cash and Property: Such consideration shall:

(I) insofar as it consists of cash, be computed at the gross amount of aggregate cash received by the Corporation, excluding amounts paid or payable for accrued interest and the costs of the issuance;

(II) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors; and

(III) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (I) and (II) above, as determined in good faith by the Board of Directors.

(f) Notwithstanding anything to the contrary contained in this Section 7 or elsewhere in these Articles Supplementary, the following issuances, transactions or occurrences shall be excluded from those events requiring any adjustment in accordance with Paragraph (d):

- (i) The accrual or payment in kind of dividends on the Series A Preferred Stock;
- (ii) The issuance or re-issuance of the Preferred Shares to any investors in the Private Placement (or any subsequent issuance or reissuance to their transferees) and any exchange, conversion or redemption of any Preferred Shares (and of any shares of Series A Preferred Stock representing dividends paid in kind) in accordance with provisions governing such exchange, conversion or redemption as set forth in the Corporation's Articles of Incorporation, Articles Supplementary and By-Laws;
- (iii) The issuance to any of the Corporation's executives, directors, employees and consultants of options, warrants or shares granted under any incentive, stock option, bonus or other benefit plan, program or policy of the Corporation, provided that such issuances in the aggregate do not exceed 15% in the aggregate of the Corporation's then outstanding shares of Common Stock;
- (iv) The issuance of shares of Common Stock upon the exercise of any option or warrant of the Corporation outstanding on the Minimum Closing Date (including all warrants to be

issued to the placement agent in the Private Placement, whether issued on or after the Minimum Closing Date);

(v) The issuance of shares of Common Stock, or warrants or options for the purchase of shares of Common Stock, to pay, settle or compromise Corporation obligations to suppliers, vendors, contractors, licensors and joint venture partners, including, without limiting the generality of the foregoing, Duke University and assignees or designees of Warren C. Stearns and Stearns Management Company; and

(vi) The future issuance of shares, or options or warrants for the purchase of shares, at a discount from the current market value, to the placement agent in the Private Placement or to another placement agent, or to an underwriter, bank, commercial lender or other institution, or to a broker-dealer or investor which is furnishing or arranging financing for the Company, provided that any such issuance is not at a price which is less than the Adjustment Base Price, it being understood that, if such price is less than the Adjustment Base Price, the provisions of Paragraph (d) of this Section 7 shall govern the adjustment to be made to the Conversion Price.

(g) The Corporation will not, by amendment of its Certificate of Incorporation or through any reorganization, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any

of the terms to be observed or performed hereunder by the Corporation, but will at all times in good faith assist in the carrying out of all the provisions of this Section 7 and in the taking of all such action as may be necessary or appropriate in order to protect the conversion rights of the holders of the Series A Preferred Stock against impairment.

(h) Upon the occurrence of each adjustment or readjustment of the Conversion Price pursuant to this Section 7, the Corporation at its expense shall promptly compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of Series A Preferred Stock, upon the request of such holder, a certificate setting forth such adjustment or readjustment and showing the facts upon which such adjustment or readjustment is based and the then Conversion Price.

8. Redemption.

(a) Beginning six (6) months after the Minimum Closing Date the Corporation, at its sole option, expressed by resolution of its Board of Directors, may call for redemption and may redeem shares of Series A Preferred Stock in whole, or from time to time in part, upon notice as set forth below. The redemption price per share of Series A Preferred Stock shall be equal to 105% of the Liquidation Preference plus accrued and unpaid dividends.

(b) Notice of any redemption of the Series A Preferred Stock (the "Redemption Notice") shall be given at least 30 days prior to the date fixed in such notice for such redemption (the "Redemption Date") to each holder of record of shares of Series A Preferred Stock, at such holder's address as the same shall appear on the books of the Corporation. Such notice shall specify the time and place of redemption, the redemption price, and, if less than all the outstanding Preferred Shares are to be redeemed, shall also specify the proportion of shares which are to be redeemed.

(c) If any such notice of redemption shall have been duly given and if, on or before the Redemption Date specified therein, all funds necessary for such redemption shall have been set aside by the Corporation, separate and apart from its other funds, in trust for the pro rata benefit of the holders of the shares so called for redemption, so as to be and continue to be available therefor, then, notwithstanding that any certificate for shares so called for redemption shall not have been surrendered for cancellation, all shares so called for redemption shall no longer be deemed outstanding on and after the Redemption Date, and the right to receive dividends thereon and all other rights with respect to such shares shall forthwith on such Redemption Date cease and terminate, except only the right of the holders thereof to receive the amount payable on redemption, without interest.

(d) From and after the giving of the notice of redemption, holders of Series A Preferred Stock shall continue to have the conversion rights provided in Section 6, which rights shall continue in effect until the Redemption Date.

(e) Shares of Series A Preferred Stock which have been redeemed, purchased or otherwise acquired by the Corporation shall be canceled and shall not be subject to re-issuance by the Corporation for any purpose.

9. General.

(a) The Corporation shall not amend, alter or repeal the preferences, special rights or other powers of the Series A Preferred Stock so as to affect adversely the Series A Preferred Stock, without the written consent or affirmative vote of the holders of a majority of the then outstanding shares of Series A Preferred Stock, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, in accordance

with applicable law. For this purpose, without limiting the generality of the foregoing, the authorization of any shares of capital stock with preference or priority over the Series A Preferred Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation shall be deemed to affect adversely the Series A Preferred Stock, and the authorization of any shares of capital stock on a parity with Series A Preferred Stock as to the right to receive either dividends or amounts distributable upon liquidation, dissolution or winding up of the Corporation shall not be deemed to affect adversely the Series A Preferred Stock.

(b) The number of authorized shares of Series A Preferred Stock may be increased (but only for the purpose of providing a sufficient number of authorized Preferred Shares for the payment of dividends on outstanding Preferred Shares) or decreased (but not below the number of shares then outstanding) by the directors of the Corporation.

(c) Any of the rights of the holders of Series A Preferred Stock set forth herein may be waived by the affirmative vote of the holders of a majority of the shares of Series A Preferred Stock then outstanding.

(d) Fractional shares of Series A Preferred Stock may be issued as required in connection with the payment of dividends or transfers of Preferred Shares among holders.

10. Notices.

(a) Any notices required to be given to any holder of Series A Preferred Stock shall be deemed properly given if deposited in the United States mail, postage prepaid, or sent by facsimile or by overnight or express delivery service, followed by duplicate notice via United States first class mail, postage prepaid, and addressed to the holder of record at such holder's address appearing at the books of the Corporation.

(b) In case:

- i. of any capital reorganization of the Corporation , any reclassification of the capital stock of the Corporation , any consolidation or merger of the Corporation with or into another corporation, or any conveyance of all or substantially all of the assets of the Corporation to another corporation; or
- ii. of any voluntary or involuntary dissolution, liquidation or winding up of the Corporation; or
- iii. any other event specified in these Articles requiring the taking of such a record,

Then, and in each such case, the Corporation shall mail or cause to be mailed to each holder a notice specifying, as the case may be, the date on which a record is to be taken for the foregoing purposes and providing the information reasonably required in order enable the holders of record of Preferred Shares to exercise the rights conferred by these Articles Supplementary.

THIRD: The reclassification of authorized but unissued shares as set forth in these Articles Supplementary does not increase the authorized capital of the Corporation or the aggregate par value thereof.

IN WITNESS WHEREOF, the Corporation has caused these Articles Supplementary for its Series A 10% Convertible Preferred Stock to be duly executed by its President and by its Secretary, respectively, this 31st day of January, 2000.

CELSION CORPORATION

By: /s/ Spencer J. Volk

Spencer J. Volk
President and Chief Executive Officer

By: /s/ John Mon

John Mon
Secretary

[Corporate Seal]

CELSION CORPORATION

NOTICE OF CONVERSION OF

Series A 10% Convertible Preferred Stock

(To be Executed by the Registered Holder in order to Convert the Series A Preferred Stock)

The undersigned Holder hereby irrevocably elects to convert ____ shares of Series A Preferred Stock, represented by stock certificate No(s). _____ (the "Preferred Stock Certificates") into shares of common stock ("Common Stock") of Celsion Corporation according to the conditions set forth in the Articles Supplementary for Series A Preferred Stock, as of the date written below. If shares are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto and is delivering herewith such certificates. No fee will be charged to the Holder for any conversion, except for transfer taxes, if any. A copy of each of the Preferred Stock Certificates being converted is attached hereto.

Date of Submission: -----

Number of Shares of Series A 10% Convertible Preferred Stock to be Converted: -----

Name of Holder: -----

By: -----
(Signature)

Title: -----

Address: -----

Social Security or

Federal Taxpayer ID No: -----

IMPORTANT

No shares of Common Stock will be issued until the original Series A Preferred Stock Certificate(s) to be converted and the Notice of Conversion are received by the Company. The Holder shall fax, or otherwise deliver, a copy of this completed and fully executed Notice of Conversion to the Corporation at the office of the Corporation or such other location designated by the Corporation and shall deliver, at the same time, the original Series A Preferred Stock Certificate(s) representing the Series A Preferred Stock being converted, duly endorsed for transfer.

EXECUTIVE EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of the 14th day of January, 2000, by and between Spencer J. Volk (the "Executive"), an individual residing at c/o Celsion Corporation, 10220-1 Old Columbia Road, Columbia, Maryland 21046-1705, and Celsion Corporation (the "Company"), a Maryland corporation with offices at 10220-1 Old Columbia Road, Columbia, Maryland 21046- 1705.

W I T N E S S E T H:
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WHEREAS, the Executive is currently employed by the Company as its President and Chief Executive Officer, and the Company desires that the Executive shall continue to be employed by it and render services to it, and the Executive is willing to continue to be so employed and to render services, all upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Employment, Duties and Acceptance.

1.1 The Company hereby employs Executive, and the Executive hereby accepts employment, for the term ("Term) set forth in Section 2 hereof, to render services to Company as its President and Chief Executive Officer. The Executive represents and warrants to the Company that, subject to the provisions of Section 17.8 hereof, he has full power and authority to enter into this Agreement and that he is not under any obligation of a contractual or other

nature to any person, firm or corporation which is inconsistent or in conflict with this Agreement, or which would prevent, limit or impair in any way the performance by Executive of his obligations hereunder.

1.2 The Executive will serve as President and Chief Executive Officer of the Company and as a member of its Board of Directors when elected as such, will have general executive supervision over the property, business and affairs of the Company and its subsidiaries or affiliates (referred to collectively as "Affiliates") and will have such other duties and responsibilities, consistent with his position as President and Chief Executive Officer, as may reasonably be assigned to him by the Board of Directors. In addition, the Executive will serve as a senior officer and a director (when

elected as such) of each of the Company's Affiliates. The Executive will report to the Board of Directors of the Company.

1.3 The Executive shall devote all of his business time and effort to the business and affairs of the Company, and shall use his best efforts, skills, and abilities to promote the interests of the Company, except for reasonable vacations and during periods of illness or incapacity, but nothing contained in this Agreement shall prevent the Executive from engaging in charitable, community or other business activities provided they do not interfere with the regular performance of the Executive's duties and responsibilities under this Agreement.

1.4 Unless the Executive and the Company shall otherwise agree, the Executive's principal places of employment shall be in and around the Columbia, Maryland area and the Chicago, Illinois area, but the duties of the Executive shall include such visits to the Company's Affiliates, research and development partners, product and clinical trial test sites, customers, investment and other bankers, in each case at the expense of the Company, as the Executive determines is reasonably required in the performance of the Executive's responsibilities.

2. Term.

2.1 The Term of this Agreement will commence as of January 1, 2000 and will terminate at the close of business on December 31, 2002, unless sooner terminated in accordance with the provisions of this Agreement ("Initial Term"). Thereafter, the employment of the Executive shall continue for successive one-year periods (each such one year period being hereinafter referred to as a "Renewal Term") unless the Corporation or Executive shall give notice to the other at least six months prior to the end of the Term or any Renewal Term of the election of the Corporation or the Executive to terminate the employment of the Executive at the end of the Term or the then current Renewal Term.

3. Base Salary.

3.1 For all services performed by the Executive under this Agreement, the Executive shall be paid a base salary ("Base Salary") for the Company's fiscal year 2000 at the annual rate of \$240,000. The Base Salary for fiscal year 2001 and all subsequent fiscal years shall be the greatest of (i) one hundred five percent (105%) of the Base Salary for the prior fiscal year; (ii) the product of the multiplication of the Base Salary during the fiscal year immediately preceding by the sum of (y) one hundred percent plus (z) the amount (expressed as a percent) by which the most recently reported Consumer Price Index ("CPI") applicable to the Washington -Baltimore Metropolitan region is greater than the CPI for that same region for the prior twelve months; (iii) the sum offered by the Board of Directors after a review taking into account corporate and individual performance, the Company's prospects and general business conditions; or (iv) \$360,000.

3.2 Base Salary shall be paid in equal monthly or semi-monthly installments in keeping with the Company's standard payroll policies applicable to its senior executives.

3.3 The Company reserves the right to pay the Executive on a current basis at an annual salary rate of no more than \$240,000. Any unpaid sum will accrue as an unpaid obligation owed to the Executive, and that obligation of the Company will be evidenced not more often than once each calendar quarter by a junior convertible note issued by the Company bearing interest at 8.75%, payable interest only at the end of each calendar quarter until September 30, 2001. From and after October 1, 2001, the Company will pay the outstanding principal amount owed to the Executive in four quarterly installments of principal and related interest; provided, however, that if, at any time, the Company achieves annual revenues of \$2,500,000 or more, then the unpaid salary obligations to the Executive (and related interest) shall be paid in full, and from and after achieving that annual revenue, the Company's right to pay the Executive at any rate other than the then applicable salary rate shall expire. At the option of the Executive, however, he may convert the outstanding principal amount and related interest owing to him (whether or not evidenced by a note) into Common Stock at a price equal to eighty (80%) percent of the average closing price of the Common Stock during any ten consecutive trading days (selected by the Executive) within the forty trading days prior to the date of conversion.

4. Option to Acquire Bonus Shares.

4.1 The Company hereby agrees to grant to Executive as a bonus an option to acquire four hundred fifty (450,000) thousand (the "Bonus Shares") fully paid and non-assessable shares of common stock, par value \$0.01 per share (the "Common Stock") of the Company. The exercise price for each Bonus Share shall be the average of the closing price of the Company's Common Stock during the fiscal quarter ended December 31, 1999. Two hundred fifty (250,000) thousand of the Bonus Shares may be acquired by Executive on or after March 15, 2000, and

one hundred (100,000) thousand of the Bonus Shares may be acquired by Executive on or after each of October 1, 2001, and October 1, 2002. If Executive is not employed by the Company at any of the three vesting dates, he shall not be entitled to acquire the Bonus Shares attributable to that date. The Company shall at all times reserve for issuance and/or delivery such number of shares of its Common Stock as shall be required for issuance or delivery as Bonus Shares. No fractional shares or scrip representing fractional shares shall be issued as Bonus Shares. Bonus Shares will not be registered under federal or state securities laws, and will have the status of restricted securities. Bonus Shares may not be sold or offered for sale in the absence of effective registration under such securities laws, or an opinion of counsel satisfactory to the Company that such registration is not required. The Company will not include any Bonus Shares in any registration statement unless there shall be a specific affirmative agreement to do so by an investment banking firm which has agreed to serve as underwriter of a public cash offering of the Company's securities. Bonus Shares may be sold by the Executive in transactions permitted by the provisions of Rule 144 of the Securities Act of 1933, but notwithstanding the provisions of Rule 144, Executive agrees that he will not undertake any disposition of the Bonus Shares in the twelve month period beginning when sales under Rule 144 are permissible without the approval of a majority of the disinterested members of the Board of Directors of the Company. In case the Company shall at any time subdivide or combine the outstanding shares of Common Stock, the number of Bonus Shares the Executive shall have the right to acquire shall be proportionately increased in the case of such subdivision or decreased in the case of such combination (on the date that such subdivision or combination shall become effective). Bonus Shares shall bear an appropriate restrictive legend, referring to the provisions hereof.

5. Incentive Compensation. As incentive compensation to Executive, the Company hereby grants to Executive the right to acquire from the Company, on an original issue basis, an aggregate of seven hundred (700,000) thousand fully paid and non-assessable shares of Common Stock (the "Incentive Shares") at the several purchase prices designated below upon the achievement by the Company of the several corporate accomplishments (the "Milestones") listed below. Executive's right as set forth herein shall be available at any time on and after the date on which the first Milestone is achieved and so long as he is employed by the Company, but not later than 5:00 P.M. (New York time) December 31, 2004 (the "Expiration Date"), upon notice to the Company at its principal office at 10220-I Old Columbia Road, Columbia, MD 21046-1705, Attention: Treasurer (or at such other location as the Company may advise the Executive in writing). The notice shall be executed and delivered with the Purchase Form attached hereto duly filled in and signed and upon payment in cash or cashier's check of the aggregate exercise price for the number of shares which Executive is acquiring determined in accordance with the provisions hereof.

5.1 For purposes of this paragraph:

A. Corporate Milestones. The right to acquire Incentive Shares shall be available in tranches as indicated herein if, as and when the Company has achieved the first two of the following Class X Milestones:

> Execution and delivery of an agreement with one or more strategic partners to the Company providing for the marketing and distribution of any one of the Company's products related to its breast cancer treatment system. (Tranche: 150,000 shares)

> Execution and delivery of an agreement with one or more strategic partners to the Company providing for the marketing

and distribution of any one of the Company's products related to treating chronic prostate enlargement condition, common in older males, known as benign prostatic hyperplasia ("BPH") (Tranche: 150,000 shares).

> Execution and delivery of an agreement with one or more strategic partners to the Company providing for the marketing and distribution of any one of the Company's products related to liposome compounds that can carry chemotherapy drugs to a tumor site and release their payload quickly when triggered by targeted heat. (Tranche: 150,000 shares). Only 300,000 shares may be issued with respect to Class X Milestones. The right to acquire Incentive Shares shall be available in tranches as indicated herein if, as and when the Company has achieved any of the following Class Y Milestones:

>Obtaining pre-marketing approval from the United States Food and Drug Administration for commercialization of the Company's BPH treatment system. (Tranche: 150,000 shares)

> Obtaining pre-marketing approval from the United States Food and Drug Administration for commercialization of the Company's breast cancer treatment system. (Tranche: 150,000 shares).

As a Class Z Milestone, the right to acquire Incentive Shares shall be available as to a tranche of 100,000 shares if, as and when the Company has achieved net income of \$1,000,000 or more for any fiscal year prior to the Expiration Date.

A. Purchase Price. The purchase price per share shall be as follows:

On achieving the first Milestone,	\$0.80 per share;
On achieving the second Milestone,	\$1.00 per share;
On achieving the third Milestone,	\$1.20 per share;
On achieving the fourth Milestone,	\$1.40 per share, and
On achieving the fifth Milestone,	\$1.60 per share.

B. Acquisition of Incentive Shares. Executive may acquire Incentive Shares in tranches as set forth as each Milestone is achieved at any time or from time to time on or after the date hereof and so long as he is employed by the Company, but not later than 5:00 p.m. New York time, on the Expiration Date. If such date is a day on which banking institutions are authorized by law to close, then the Expiration Date shall be on the next succeeding day which shall not be such a day. Incentive Shares may be acquired without regard to the sequence in which the Milestones have been achieved. A Notice of Intention to acquire Incentive Shares shall be submitted by the Executive to the Company's Board of Directors, identifying the Milestone achieved and the number of shares covered by the relevant tranche. The Board of Directors shall be deemed to have approved the relevant acquisition of Incentive Shares unless, within seventy two (72) hours of the submission of the Notice of Intention, the Board adopts a resolution determining that Incentive Shares may not be issued as to the Milestone identified in the Notice of Intention. In the absence of such a disaffirming resolution, Executive may acquire Incentive Shares thereafter by presentation of the Notice of Intention either to the Company or at the office of its stock transfer agent, if any, and accompanied by payment in cash or cash equivalent of the purchase price for the number of Incentive Shares specified in such Notice of Intention, together with all federal and state taxes applicable upon such exercise.

C. Reservation of Shares. The Company hereby agrees that at all times there shall be reserved for issuance such number of shares of its Common Stock as shall be required for issuance or delivery as Incentive Shares upon achievement of the Milestones set forth herein.

D. Vesting. Incentive Shares shall vest in the Executive upon issuance.

E. Anti-Dilution Provisions.

(1) Adjustment of Number of Incentive Shares. Anything in this Paragraph (F) to the contrary notwithstanding, in case the Company shall at any time issue Common Stock by way of dividend or other distribution on any stock of the Company or subdivide or combine the outstanding shares of Common Stock, the Purchase Price shall be proportionately decreased in the case of such issuance (on the day following the date fixed for determining shareholders entitled to receive such dividend or other distribution) or decreased in the case of such subdivision or increased in the case of such combination (on the date that such subdivision or combination shall become effective).

(2) No Adjustment for Small Amounts. Anything in this Paragraph (F) to the contrary notwithstanding, the Company shall not be required to give effect to any adjustment in the Purchase Price unless and until the net effect of one or more adjustments, determined as above provided, shall have required a change of the Purchase Price by at least one cent, but when the cumulative net effect of more than one adjustment so determined shall be to change the actual Purchase Price by at least one cent, such change in the Purchase Price shall thereupon be given effect.

(3) Number of Incentive Shares Adjusted. Upon any adjustment of the Purchase Price other than pursuant to Paragraph (F)(1) hereof, the Executive shall thereafter (until another such adjustment) be entitled to purchase, at the new Purchase Price, the number of shares, calculated to the nearest full share, obtained by multiplying the number of shares of Common Stock initially issuable upon achieving any Milestone by the Purchase Price in effect on the date hereof and dividing the product so obtained by the new Purchase Price.

F. Reclassification, Reorganization or Merger. In case of any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the Company (other than a change in par value, or from par value to no par value or from no par value to par value, or as a result of an issuance of Common Stock by way of dividend or other distribution or of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation (other than a merger in which the Company is the continuing corporation and which does not result in any reclassification, capital reorganization or other change of outstanding shares of Common Stock) or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company shall cause effective provision to be made so that the Executive shall have the right thereafter as he has hereunder to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization or other change, consolidation, merger, sale or conveyance. The foregoing provisions of this Paragraph

(G) shall similarly apply to successive reclassifications, capital reorganizations and changes of shares of Common Stock and to successive consolidations, mergers, sale or conveyances. In the event that in any such capital reorganization or reclassification, consolidation, merger, sale or conveyance, additional shares of Common Stock shall be issued in exchange, conversion, substitution or payment, in whole or in part, for or of a security of the Company other than Common Stock, any such issue shall be treated as an issue of Common Stock covered by the provisions hereof with the amount of the consideration received upon the issue thereof being determined by the Board of Directors of the Company, such determination to be final and binding on the Executive.

6. Reimbursement for Expenses.

6.1 Company shall reimburse Executive for all reasonable out-of-pocket expenses paid or incurred by him in the course of his employment, upon presentation by Executive of valid receipts or invoices therefor, utilizing procedures and forms for that purpose as established by Company from time to time.

7. Vacations.

7.1 Executive shall be entitled to reasonable vacations (which shall aggregate no less than four (4) weeks vacation with pay) during each consecutive 12 month period commencing on the date hereof. Executive may not accumulate any vacation days which remain unused at the end of any year during the term hereof without the prior consent of Company.

8. Employee Benefit Programs, etc.

8.1 The Company shall provide the Executive with an automobile (or at Employee's option, a cash allowance in the amount of \$450.00 per month in lieu thereof) for use in the performance of Executive's duties, along with fuel, fluids and maintenance, upon such terms and conditions as are approved by Company. The Company will also either provide or pay or reimburse the Executive for the costs of a cellular telephone.

8.2 The Company shall provide the Executive at the Company's expense disability insurance providing for disability payments to the Executive, in a sum at least equal to 70 % of his Base Salary then in effect, following a termination of Executive's employment hereunder as a result of Disability (as defined in Section 9.2 below). In the event such policy is not obtained, Executive shall be entitled to participate in such disability plan(s) as are available to Company executives generally.

8.3 The Company shall obtain at its expense, and shall be the owner of, a policy on the life of the Executive in the amount of Three Million (\$3,000,000) Dollars, naming the Company as the beneficiary.

8.4 In addition to the life insurance to be provided in accordance with paragraph 8.3, subject to the Executive's meeting the eligibility requirements of each respective plan, Executive shall participate in and be covered by each pension, life insurance, accident insurance, health insurance, hospitalization and any other employee benefit plan of Company, as the case may be, made available generally from and after the date hereof to its respective senior executives, on the same basis as shall be available to such other executives without restriction or limitation by reason of this Agreement.

8.5 Nothing herein contained shall prevent the Company from at any time increasing the compensation herein provided to be paid to Executive, either permanently or for a limited period, or from paying bonuses and other additional compensation to Executive, whether or not based upon the earnings of the business of Company, or from increasing or expanding any employee benefit program applicable to the Executive, in the event the Company, in its sole discretion, shall deem it advisable so to do in order to recognize and compensate fairly Executive for the value of his services.

9. Death or Disability.

9.1 If Executive shall die during the term hereof, this Agreement shall immediately terminate, except that Executive's legal representatives or designated beneficiaries shall be entitled to receive (i) the Base Salary due to Executive hereunder to the last day of the month following the month in which his death occurs, payable in accordance with the Company's regular payroll practices, (ii) all other benefits payable upon death under any employee benefit program or other insurance covering the Executive as of the date of death; and (iii) a pro-rated portion of the Bonus Shares payable under Section 4.

9.2 In the event of the Disability of the Executive, as hereinafter defined, the Executive shall be entitled to continue to receive payment of his Base Salary (prorated as may be necessary) in accordance with the terms of Section 3 hereof through the last day of the third month following the month in which Executive's employment hereunder is terminated as a result of such Disability. At any time after the date of the Notice (as hereinafter defined) and during the continuance of the Executive's Disability, the Company may at any time thereafter terminate Executive's employment hereunder by written

notice to the Executive. The term "Disability" shall mean physical or mental illness or injury which prevents the Executive from performing his customary duties for the Company for a period of sixty (60) consecutive days or an aggregate period of one hundred twenty (120) days out of any consecutive twelve (12) months. The date of commencement of Disability shall be the date set forth in the notice (the "Notice") given by Company to the Executive at any time following a determination of Disability, which date shall not be earlier than the date the Notice is given by Company. A determination of Disability by Company shall be solely for the purposes of this Section 9.2 and shall in no way affect the Executive's status under any other benefit plan applicable to the Executive.

9.3 Upon the occurrence of a Disability, and unless the Executive's employment shall have been terminated as provided in Section 9.2, the Executive shall, during such time as he is continuing to receive Base Salary payments as set forth in Section 9.2, perform such services for Company, consistent with his duties under Section 1 hereof, as he is reasonably capable of performing in light of the condition giving rise to a Disability. All payments due under Section 9.2 shall be payable in accordance with Company's regular payroll practices. Any amount paid to Executive pursuant to this Agreement by reason of his Disability, shall be reduced by the aggregate amount of all monthly disability payments which the Executive is entitled to receive under all workers compensation plans, disability plans and accident, health or other insurance plans or programs maintained for the Executive by Company, by any company controlling, controlled by or under common control with, Company.

9.4 In the event the Executive's employment is terminated due to Disability, the Executive shall be entitled, in addition to the Base Salary payments described in Section 9.2, to the Bonus Shares payable in accordance

with Section 4 for the fiscal year in which such Disability occurs, pro-rated by multiplying the Bonus Shares otherwise issuable by a fraction, the numerator of which is the number of days the Executive was employed during such fiscal year and the denominator of which is 365.

10. Termination for Cause.

10.1 The employment of the Executive may be terminated by the Company for Cause. For this purpose, "Cause" shall mean:

- (i) an act constituting a felony and resulting or intended to result, directly or indirectly, in his gain or personal enrichment at the expense of the Company and its shareholders;
- (ii) dishonest acts against the Company;
- (iii) illegal drug use;
- (iv) grossly or willfully neglecting to carry out his duties under this Agreement resulting in material harm to the Company.

The Executive's employment shall not be terminated for Cause under clauses (ii) or (iv) unless

(a) the Executive has received at least 15 days notice of a meeting of the Board of Directors at which meeting the Board shall consider the existence of Cause, shall provide the Executive with an opportunity to be heard before the Board, and, following such consideration and hearing, the Board has determined, based upon credible evidence, that grounds for Cause exist; and

(b) the misconduct or breaches on which an assertion of Cause is based are not cured within 30 days thereafter if such misconduct or breaches are capable of being cured.

10.2 In the event of a termination for Cause, the Executive shall (a) be entitled to any unpaid Base Salary pro rated up to the date of termination, and (b) shall have no further rights

under this Agreement. Furthermore, the Executive shall be and remain subject to all provisions of Section 13 below for the period indicated therein, but shall not receive any of the compensation set forth therein.

11. Termination Upon Change of Control or by Company Without Cause.

11.1 A "Change in Control" shall occur: (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 Company representing twenty-five percent (25%) or more of the total number of outstanding shares of common stock of the Company; or (B) if individuals who, at 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 75% of the Incumbent Directors shall be treated as an Incumbent Director. For purposes hereof, "person" shall mean any individual, partnership, joint venture, association, trust, or other entity, including a "group" as referred to in section 13(d)(3) of the Securities Exchange Act of 1934.

11.2 If there occurs a Change in Control, and if there subsequently occurs a material adverse change, without the Executive's written consent, in the Executive's working conditions or status, including but not limited to a significant change in the nature or scope of the Executive's authority, powers, duties or responsibilities, or a reduction in the level of support services or staff, then, whether or not such change would otherwise constitute a breach of this Agreement by the Company, this Agreement may be terminated by notice given by the Executive, specifying the Change of Control and significant adverse change or changes.

11.3 Upon the termination of this Agreement in accordance with Section 11.2 above, the Executive will be entitled, without any duty to mitigate damages, to:

- (a) All unpaid Base Salary pro-rated up to the date of termination; and
- (b) The full number of unissued Bonus Shares pursuant to Section 4;
- (c) A severance payment equal to 2.99 times the Base Salary in effect for the prior fiscal year; and
- (d) All benefits available under the Company's employee benefit programs, to the extent applicable to senior executives voluntarily and amicably retiring from

employment with the Company.

11.4 In the event that the Company shall actually or constructively terminate this Agreement during the Initial Term or any Renewal Term without cause (and with or without a Change of Control), the Executive shall be entitled to the same payments, compensation and rights as provided in the case of a termination by the Executive under Section 11.3.

11.5 The payments and any other compensation and benefits to which the Executive is entitled under this Section 11 shall be made available to the Executive no later than thirty (30) days after the date of any termination referred to in Section 11.2, 11.3 or 11.4.

11.6 In the event that Executive receives the payments and any other compensation and benefits referred to in this Section 11, he will be bound by the restrictive provisions of Section 13 for the period therein provided, subject to the right to receive the compensation therein set forth.

12. Termination by Executive.

12.1 If the Executive shall terminate his employment under this Agreement during the Initial Term without either (i) a Change of Control or (ii) the express written consent of the Company, then, for purposes of establishing the rights of the Executive upon such termination, such termination shall be deemed the equivalent of a termination for Cause under Section 12.1, and the Executive shall have only those rights with regard to compensation as are set forth in Section 12.2, and the restrictive provisions of Section 13 below shall fully apply (but the Executive shall not have any right to the compensation set forth therein).

12.2 If the Executive shall terminate his employment under this Agreement during any Renewal Term without either (i) a Change of Control or (ii) the express written consent of the Company, then, for purposes of establishing the rights of the Executive upon such termination, the Executive shall be entitled to receive:

(a) All unpaid Base Salary pro-rated up to the date of termination; and

(b) the full and absolute ownership of all Bonus Shares previously delivered to him, subject to the provisions of the securities laws of the United States, but without the specific limitations set forth in Section 4 hereof.

12.3 In the case of a termination pursuant to Section 12.2, the restrictions set forth in Section 13 shall apply to Executive for the period therein stated, and the Executive shall receive the compensation set forth therein.

13. Restrictive Covenants; Compensation.

13.1 During such time as this Agreement shall be in effect and, except as otherwise explicitly stated herein, for a period of three (3) years following the termination of Executive's employment, and without the Company's prior written consent (which may be withheld for any reason or for no reason in Company's sole discretion), Executive shall not do anything in any way inconsistent with his duties to, or adverse to the interests of, the Company, nor shall Executive, directly or indirectly, himself or by or through a family member or otherwise, alone or as a member of a partnership or joint venture, or as a principal, officer, director, consultant, employee or stockholder of any other entity, compete with Company or be engaged in or connected with any other business competitive with that of Company or any of its affiliates, except that Executive may own as a passive investment not more than five percent (5%) of the securities of any publicly held corporation that may engage in such a business competitive with that of Company or any of its Affiliates.

13.2 In view of the fact that Executive will be brought into close contact with many confidential affairs of Company and its Affiliates not readily available to the public, Executive agrees during the Term of this Agreement and thereafter:

(a) to keep secret and retain in the strictest confidence all non-public information about (i) research and development, test results, suppliers, venture or strategic partners, licenses and patents or patent applications, planned or existing products, knowhow, financial condition and other

financial affairs (such as costs, pricing, profits and plans for future development, methods of operation and marketing concepts) of Company and its Affiliates; (ii) the employment policies and plans of the Company and its Affiliates; and (iii) any other proprietary information relating to the Company and its Affiliates, their operations, businesses, financial condition and financial affairs (collectively, the "Confidential Information") and, for such time as Company or any of its Affiliates is operating, Executive shall not disclose the Confidential Information to anyone not then an officer, director or authorized employee of Company or its Affiliates, either during or after the term of this Agreement, except in the course of performing his duties hereunder or with Company's express written consent or except to the extent that such confidential information can be shown to have been in the public domain through no fault of Executive; and

(b) to deliver to Company within ten days after termination of his services, or at any time Company may so request, all memoranda, notes, records, reports and other documents relating to Company or its Affiliates, businesses, financial affairs or operations and all property associated therewith, which he may then possess or have under his control.

13.3 Executive shall not at any time during the three-year period following the termination of his employment for any reason whatsoever, including termination resulting from the natural expiration of the term of this Agreement, (i) employ any individual who was employed by Company or any of its Affiliates at any time during the such period or during the 12 calendar months immediately preceding such termination, or (ii) in any way cause, influence or

participate in the employment of any such individual by anyone else in any business that is competitive with any of the businesses engaged in by Company or any of its Affiliates.

13.4 Executive shall not at any time during the three -year period following the termination of his employment, for any reason whatsoever, including termination resulting from the natural expiration of the term of this Agreement, directly or indirectly, either (i) persuade or attempt to persuade any customer or client of the Company or of any of its Affiliates to cease doing business with Company or with any Affiliate, or to reduce the amount of business it does with Company or with any of its Affiliates, or (ii) solicit for himself or any person other than Company or any of its Affiliates, the business of any individual or business which was a customer or client of Company or any of its Affiliates at any time during the eighteen month period immediately preceding such termination.

13.5 Executive acknowledges that the execution and delivery by him of the promises set forth in this Section 13 is an essential inducement to Company to enter into this Agreement, and that Company would not have entered into this Agreement but for such promises. Executive further acknowledges that his services are unique and that any breach or threatened breach by Executive of any of the foregoing provisions of this Section 13 cannot be remedied solely by damages. In the event of a breach or a threatened breach by Executive of any of the provisions of this Section 13, Company shall be entitled to injunctive relief restraining Executive and any business, firm, partnership, individual, corporation or other entity participating in such breach or attempted breach. Nothing herein, however, shall be construed as prohibiting Company from pursuing any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages and the immediate termination of the employment of Executive hereunder.

13.6 If any of the provisions of, or promises contained in, this Section 13 are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalid portions or the unenforceability in such other jurisdiction. If any provisions contained in this Section 13 are held to be unenforceable in any jurisdiction because of the duration or scope thereof, the parties hereto agree that the court making such determination shall have the power to reduce the duration and/or scope (if such provision, in its reduced form, shall be enforceable); provided, however, that the determination of such court shall not affect the enforceability, duration or scope of this Section 13 in any other jurisdiction.

13.7 As separate and additional compensation to be paid to the Executive in consideration of the observance and performance of the promises contained in this Section 13, the Company agrees that, during the period of restrictions set forth in this Section 13, the Executive will be entitled to be paid an amount equal to 100% of the Base Salary computed at the annual rate prevailing immediately prior to the termination of his employment (such amount to be paid in the same manner as the Company's regular payroll practices), except that, (i) in the case of termination of the Executive's employment for Cause, or in case the Executive shall terminate this Agreement under Section 12.1 during the Initial Term, the Executive will receive no such compensation

14. Relationship of Parties.

Nothing herein contained shall be deemed to constitute a partnership between or a joint venture by the parties, nor shall anything herein contained be deemed to constitute either the Executive, the Company or any Affiliates the agent of the other except as is expressly provided herein. Neither Executive nor Company shall be or become liable or bound by any representation, act or omission whatsoever of the other party made contrary to the provisions of this Agreement.

15. Notices.

All notices and communications hereunder shall be in writing and delivered by hand or sent by registered or certified mail, postage and registration or certification fees prepaid, return receipt requested, or by overnight delivery such as Federal Express, and shall be deemed given when hand delivered or upon three (3) business days after the date when mailed, or upon one (1) business day after delivery to an agent for overnight delivery, if sent in such manner, as follows:

If to Company: Celsion Corporation
10220-1 Old Columbia Road,
Columbia, Maryland 21046-1705.
Attention: Board of Directors

With a copy to: Bresler Goodman & Unterman LLP
521 Fifth Avenue
New York, NY 10175
Attn: Kevin J. Lake

If to Executive: Spencer J. Volk
C/o Celsion Corporation
10220-1 Old Columbia Road,
Columbia, Maryland 21046-1705.

The foregoing addresses may be changed by notice given in the manner set forth in this Section 15.

16. Disputes.

Any dispute arising under this Agreement shall be settled in accordance with the following provisions. If the parties are deadlocked on any issue arising under the terms of this Agreement, a tiebreaker shall be chosen by the Dean of the School of Business Administration at the University of Maryland. Each party may present its proposal to the designated tiebreaker in written form and may, on a date established by the tiebreaker within fifteen calendar days of the day the tiebreaker is chosen, make an oral presentation not to exceed two hours in length, accompanied by exhibits and written arguments not to exceed 50

pages in length. The designated tiebreaker shall then select one of the submitted proposals, without any change or adjustment, and shall announce to the parties his or her selection within five calendar days of the day of submission. The party offering the proposal that is not selected by the tiebreaker shall bear all costs and expenses (including legal, expert and other fees and expenses), and the expenses and fees charged by the tiebreaker. Any award by the tiebreaker may be enforced on application of either party by the order or judgment of any Federal or state court in the State of Maryland as the party making such application shall elect, having jurisdiction over the subject matter thereof. Each of the parties hereto hereby submits itself to the jurisdiction of any such court and agree that service of process on it in any action, suit or proceeding to enforce any such award may be effected by the means by which notices are to be given to it under this Agreement.

17. Miscellaneous.

17.1 This Agreement contains the entire understanding of the parties hereto with respect to the employment of Executive by Company during the term hereof, and the provisions hereof may not be altered, amended, waived, terminated or discharged in any way whatsoever except by subsequent written agreement executed by the party charged therewith. This Agreement supersedes all prior employment agreements, understandings and arrangements between Executive and Company pertaining to the terms of the employment of Executive. A waiver by either of the parties of any of the terms or conditions of this Agreement, or of any breach hereof, shall not be deemed a waiver of such terms or conditions for the future or of any other term or condition hereof, or of any subsequent breach hereof.

17.2 The provisions of this Agreement are severable, and if any provision of this Agreement is invalid, void, inoperative or unenforceable,

the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any circumstance, it shall nevertheless remain applicable to all other circumstances.

17.3 Company shall have the right to deduct and withhold from Executive's compensation the amounts required to be deducted and withheld pursuant to any present or future law concerning the withholding of income taxes. In the event that Company makes any payments or incurs any charges for Executive's account or Executive incurs any personal charges with Company, Company shall have the right and Executive hereby authorizes Company to recoup such payments or charges by deducting and withholding the aggregate amount thereof from any compensation otherwise payable to Executive hereunder.

17.4 This Agreement shall be construed and interpreted under the laws of the State of Maryland applicable to contracts executed and to be performed entirely therein.

17.5 The captions and section headings in this Agreement are not part of the provisions hereof, are merely for the purpose of reference and shall have no force or effect for any purpose whatsoever, including the construction of the provisions of this Agreement.

17.6 To the extent any provision of this Agreement contemplates action after termination hereof or creates a cause of action or claim on which action may be brought by either party, such provision, cause of action or claim shall survive termination of Executive's employment or termination of this Agreement.

17.7 Executive may not assign his rights nor delegate his duties under this Agreement; provided, however, that notwithstanding the foregoing this Agreement shall inure to the benefit of Executive's legal representatives, executors, administrators or successors and to the successors or assigns of Company.

17.8 Effective on the execution and delivery of this Agreement, each of the Company and the Executive agrees that the prior agreement between the parties dated the 11th day of May, 1997, as in effect prior to the date hereof shall cease to be of further force and effect, except to the extent that separate written arrangements between the Executive and the Company have been agreed to reflect modifications in certain of the terms of that prior agreement requested by the Company and agreed by the Executive.

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

CELSION CORPORATION

By: /s/ Augustine Y. Cheung

Augustine Y. Cheung, Chairman

/s/ Spencer J. Volk

Spencer J. Volk

EXECUTIVE EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT, made as of the 1st day of January, 2000, by and between Augustine Y. Cheung (the "Executive"), an individual residing at c/o Celsion Corporation, 10220-1 Old Columbia Road, Columbia, Maryland 21046-1705, and Celsion Corporation (the "Company"), a Maryland corporation with offices at 10220-1 Old Columbia Road, Columbia, Maryland 21046- 1705.

W I T N E S S E T H:
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WHEREAS, the Executive is currently employed by the Company as its Chairman and Chief Science Officer, and the Company desires that the Executive shall continue to be employed by it and render services to it, and the Executive is willing to continue to be so employed and to render services, all upon the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Employment, Duties and Acceptance.

1.1 The Company hereby employs Executive, and the Executive hereby accepts employment, for the term ("Term) set forth in Section 2 hereof, to render services to Company as its Chairman and Chief Science Officer. The Executive represents and warrants to the Company that he has full power and authority to enter into this Agreement and that he is not under any obligation of a contractual or other nature to any person, firm or corporation which is

inconsistent or in conflict with this Agreement, or which would prevent, limit or impair in any way the performance by Executive of his obligations hereunder.

1.2 The Executive will serve as Chairman and Chief Science Officer of the Company and as a member of its Board of Directors when elected as such, will have general supervision over the research and development operations of the Company and its subsidiaries or affiliates (referred to collectively as "Affiliates") and will have such other duties and responsibilities, consistent with his position as Chairman and Chief Science Officer, as may reasonably be assigned to him by the Board of Directors. In addition, the Executive will serve as a senior officer and a director (when elected as such) of each of the Company's Affiliates. The Executive will report to the Board of Directors of the

Company.

1.3 The Executive shall devote all of his business time and effort to the business and affairs of the Company, and shall use his best efforts, skills, and abilities to promote the interests of the Company, except for reasonable vacations and during periods of illness or incapacity, but nothing contained in this Agreement shall prevent the Executive from engaging in charitable, community or other business activities provided they do not interfere with the regular performance of the Executive's duties and responsibilities under this Agreement.

1.4 Unless the Executive and the Company shall otherwise agree, the Executive's principal place of employment shall be in and around the Columbia, Maryland area, but the duties of the Executive shall include such visits to the Company's Affiliates, research and development partners, product and clinical trial test sites, customers, investment and other bankers, in each case at the expense of the Company, as the Executive determines is reasonably required in the performance of the Executive's responsibilities.

2. Term.

2.1 The Term of this Agreement will commence as of January 1, 2000 and will terminate at the close of business on December 31, 2002, unless sooner terminated in accordance with the provisions of this Agreement ("Initial Term"). Thereafter, the employment of the Executive shall continue for successive one-year periods (each such one year period being hereinafter referred to as a "Renewal Term") unless the Corporation or Executive shall give notice to the other at least six months prior to the end of the Term or any Renewal Term of the election of the Corporation or the Executive to terminate the employment of the Executive at the end of the Term or the then current Renewal Term.

3. Base Salary.

3.1 For all services performed by the Executive under this Agreement, the Executive shall be paid a base salary ("Base Salary") for the calendar year 2000 at the annual rate of \$240,000. The Base Salary for subsequent years shall be the greatest of (i) one hundred five percent (105%) of the Base Salary for the prior calendar year; (ii) the product of the multiplication of the Base Salary during the calendar year immediately preceding by the sum of (y) one hundred percent plus (z) the amount (expressed as a percent) by which the most recently reported Consumer Price Index ("CPI") applicable to the Washington -Baltimore Metropolitan region is greater than the CPI for that same region for the prior twelve months; or (iii) the sum offered by the Board of Directors after a review taking into account corporate and individual performance, the Company's prospects and general business conditions.

3.2 Base Salary shall be paid in equal monthly or semi-monthly installments in keeping with the Company's standard payroll policies applicable to its senior executives.

4. Option to Acquire Bonus Shares.

4.1 The Company hereby agrees to grant to Executive as a bonus an option to acquire three hundred (300,000) thousand (the "Bonus Shares") fully paid and non-assessable shares of common stock, par value \$0.01 per share (the "Common Stock") of the Company. The purchase price for each Bonus Share shall be the average of the closing price of the Company's Common Stock during the fiscal quarter ended December 31, 1999. One hundred (100,000) thousand of the Bonus Shares may be acquired by Executive on or after March 15, 2000, and one hundred (100,000) thousand of the Bonus Shares may be acquired by Executive on or after each of October 1, 2001, and October 1, 2002. If Executive is not employed by the Company at any of the three vesting dates, he shall not be entitled to acquire the Bonus Shares attributable to that date. The Company shall at all times reserve for issuance and/or delivery such number of shares of its Common Stock as shall be required for issuance or delivery as Bonus Shares. No fractional shares or scrip representing fractional shares shall be issued as Bonus Shares. Bonus Shares will not be registered under federal or state securities laws, and will have the status of restricted securities. Bonus Shares may not be sold or offered for sale in the absence of effective registration under such securities laws, or an opinion of counsel satisfactory to the Company that such registration is not required. The Company will not include any Bonus Shares in any registration statement unless there shall be a specific affirmative agreement to do so by an investment banking firm which has agreed to serve as underwriter of a public cash offering of the Company's securities. Bonus Shares may be sold by the Executive in transactions permitted by the provisions of Rule 144 of the Securities Act of 1933, but notwithstanding the provisions of Rule 144, Executive agrees that he will not undertake any disposition of the Bonus Shares in the twelve month period beginning when sales under Rule 144 are permissible without the approval of a majority of the disinterested members of the Board of Directors of the Company. In case the

Company shall at any time subdivide or combine the outstanding shares of Common Stock, the number of Bonus Shares the Executive shall have the right to acquire shall be proportionately increased in the case of such subdivision or decreased in the case of such combination (on the date that such subdivision or combination shall become effective). Bonus Shares shall bear an appropriate restrictive legend, referring to the provisions hereof.

5. Incentive Compensation. As incentive compensation to Executive, the Company hereby grants to Executive the right to acquire from the Company, on an original issue basis, an aggregate of seven hundred (700,000) thousand fully paid and non-assessable shares of Common Stock (the "Incentive Shares") at the several purchase prices designated below upon the achievement by the Company of the several corporate accomplishments (the "Milestones") listed below. Executive's right as set forth herein shall be available at any time on and after the date on which the first Milestone is achieved and so long as he is employed by the Company, but not later than 5:00 P.M. (New York time) December 31, 2004 (the "Expiration Date"), upon notice to the Company at its principal office at 10220-I Old Columbia Road, Columbia, MD 21046-1705, Attention: Spencer J. Volk, President and Chief Executive Officer (or at such other location as the Company may advise the Executive in writing). The notice shall be executed and delivered with the Purchase Form attached hereto duly filled in and signed and upon payment in cash or cashier's check of the aggregate Purchase Price for the number of shares which Executive is acquiring determined in accordance with the provisions hereof.

5.1 For purposes of this paragraph:

A. Corporate Milestones. The right to acquire Incentive Shares shall be available in tranches as indicated herein if, as and when the Company has achieved the first two of the following Class X Milestones:

> Execution and delivery of an agreement with one or more strategic partners to the Company providing for the marketing and distribution of any one of the Company's products related to its breast cancer treatment system. (Tranche: 150,000 shares)

> Execution and delivery of an agreement with one or more strategic partners to the Company providing for the marketing and distribution of any one of the Company's products related to treating chronic prostate enlargement condition, common in older males, known as benign prostatic hyperplasia ("BPH") (Tranche: 150,000 shares).

> Execution and delivery of an agreement with one or more strategic partners to the Company providing for the marketing and distribution of any one of the Company's products related to liposome compounds that can carry chemotherapy drugs to a tumor site and release their payload quickly when triggered by targeted heat. (Tranche: 150,000 shares).

Only 300,000 shares may be issued with respect to Class X Milestones.

The right to acquire Incentive Shares shall be available in tranches as indicated herein if, as and when the Company has achieved any of the following Class Y Milestones:

>Obtaining pre-marketing approval from the United States Food and Drug Administration for commercialization of the Company's BPH treatment system. (Tranche: 150,000 shares)

> Obtaining pre-marketing approval from the United States Food and Drug Administration for commercialization of the Company's breast cancer treatment system. (Tranche: 150,000 shares).

As a Class Z Milestone, the right to acquire Incentive Shares shall be available as to a tranche of 100,000 shares if, as and when the Company has achieved net income of \$1,000,000 or more for any fiscal year prior to the Expiration Date.

A. Purchase Price. The Purchase Price per share shall be as follows:

On achieving the first Milestone,	\$0.80 per share;
On achieving the second Milestone,	\$1.00 per share;
On achieving the third Milestone,	\$1.20 per share;
On achieving the fourth Milestone,	\$1.40 per share, and
On achieving the fifth Milestone,	\$1.60 per share.

B. Acquisition of Incentive Shares. Executive may acquire Incentive Shares in tranches as set forth as each Milestone is achieved at any time or from time to time on or after the date hereof and so long as he is employed by the Company, but not later than 5:00 p.m. New York time, on the Expiration Date. If such date is a day on which banking institutions are authorized by law to close, then the Expiration Date shall be on the next succeeding day which shall not be such a day. Incentive Shares may be acquired without regard to the sequence in which the Milestones have been achieved. A Notice of Intention to acquire Incentive Shares shall be submitted by the Executive to the Company's Board of Directors, identifying the Milestone achieved and the number of shares covered by the relevant tranche. The Board of Directors shall be deemed to have approved the relevant acquisition of Incentive Shares unless, within seventy two (72) hours of the submission of the Notice of Intention, the Board adopts a resolution determining that Incentive Shares may not be issued as to the Milestone identified in the Notice of

Intention. In the absence of such a disaffirming resolution, Executive may acquire Incentive Shares thereafter by presentation of the Notice of Intention either to the Company or at the office of its stock transfer agent, if any, and accompanied by payment in cash or cash equivalent of the Purchase Price for the number of Incentive Shares specified in such Notice of Intention, together with all federal and state taxes applicable upon such exercise.

C. Reservation of Shares. The Company hereby agrees that at all times there shall be reserved for issuance such number of shares of its Common Stock as shall be required for issuance or delivery as Incentive Shares upon achievement of the Milestones set forth herein.

D. Vesting. Incentive Shares shall vest in the Executive upon issuance.

E. Anti-Dilution Provisions.

(1) Adjustment of Number of Incentive Shares. Anything in this Paragraph (F) to the contrary notwithstanding, in case the Company shall at any time issue Common Stock by way of dividend or other distribution on any stock of the Company or subdivide or combine the outstanding shares of Common Stock, the Purchase Price shall be proportionately decreased in the case of such issuance (on the day following the date fixed for determining shareholders entitled to receive such dividend or other distribution) or decreased in the case of such subdivision or increased in the case of such combination (on the date that such subdivision or combination shall become effective).

(2) No Adjustment for Small Amounts. Anything in this Paragraph (F) to the contrary notwithstanding, the Company shall not be required to give effect to any adjustment in the Purchase Price unless and until the net effect of one or more adjustments, determined as above provided, shall have required a change of the Exercise Price by

at least one cent, but when the cumulative net effect of more than one adjustment so determined shall be to change the actual Purchase Price by at least one cent, such change in the Purchase Price shall thereupon be given effect.

(3) Number of Incentive Shares Adjusted. Upon any adjustment of the Purchase Price other than pursuant to Paragraph (F)(1) hereof, the Executive shall thereafter (until another such adjustment) be entitled to purchase, at the new Purchase Price, the number of shares, calculated to the nearest full share, obtained by multiplying the number of shares of Common Stock initially issuable upon achieving any Milestone by the Purchase Price in effect on the date hereof and dividing the product so obtained by the new Purchase Price.

F. Reclassification, Reorganization or Merger. In case of any reclassification, capital reorganization or other change of outstanding shares of Common Stock of the Company (other than a change in par value, or from par value to no par value or from no par value to par value, or as a result of an issuance of Common Stock by way of dividend or other distribution or of a subdivision or combination), or in case of any consolidation or merger of the Company with or into another corporation

(other than a merger in which the Company is the continuing corporation and which does not result in any reclassification, capital reorganization or other change of outstanding shares of Common Stock) or in case of any sale or conveyance to another corporation of the property of the Company as an entirety or substantially as an entirety, the Company shall cause effective provision to be made so that the Executive shall have the right thereafter as he has hereunder to purchase the kind and amount of shares of stock and other securities and property receivable upon such reclassification, capital reorganization or other change, consolidation, merger, sale or conveyance. The foregoing provisions of this Paragraph (G) shall similarly apply to successive reclassifications, capital reorganizations and changes of shares of Common Stock and to successive consolidations, mergers, sale or conveyances. In the event that in any such capital reorganization or reclassification, consolidation, merger, sale or conveyance, additional shares of Common Stock shall be issued in exchange, conversion, substitution or payment, in whole or in part, for or of a security of the Company other than Common Stock, any such issue shall be treated as an issue of Common Stock covered by the provisions hereof with the amount of the consideration received upon the issue thereof being determined by the Board of Directors of the Company, such determination to be final and binding on the Executive.

6. Reimbursement for Expenses.

6.1 Company shall reimburse Executive for all reasonable out-of-pocket expenses paid or incurred by him in the course of his employment,

upon presentation by Executive of valid receipts or invoices therefor, utilizing procedures and forms for that purpose as established by Company from time to time.

7. Vacations.

7.1 Executive shall be entitled to reasonable vacations (which shall aggregate no less than four (4) weeks vacation with pay) during each consecutive 12 month period commencing on the date hereof. Executive may not accumulate any vacation days which remain unused at the end of any year during the term hereof without the prior consent of Company.

8. Employee Benefit Programs, etc.

8.1 The Company shall provide the Executive with an automobile (or at Employee's option, a cash allowance in the amount of \$450.00 per month in lieu thereof) for use in the performance of Executive's duties, along with fuel, fluids and maintenance, upon such terms and conditions as are approved by Company. The Company will also either provide or pay or reimburse the Executive for the costs of a cellular telephone.

8.2 The Company shall provide the Executive at the Company's expense disability insurance providing for disability payments to the Executive, in a sum at least equal to 70 % of his Base Salary then in effect, following a termination of Executive's employment hereunder as a result of Disability (as defined in Section 9.2 below). In the event such policy is not obtained, Executive shall be entitled to participate in such disability plan(s) as are available to Company executives generally.

8.3 The Company shall obtain at its expense, and shall be the owner of, a policy on the life of the Executive in the amount of Three Million (\$3,000,000) Dollars, naming the Company as the beneficiary.

8.4 In addition to the life insurance to be provided in accordance with paragraph 8.3, subject to the Executive's meeting the eligibility requirements of each respective plan, Executive shall participate in and be covered by each pension, life insurance, accident insurance, health insurance, hospitalization and any other employee benefit plan of Company, as the case may be, made available generally from and after the date hereof to its respective senior executives, on the same basis as shall be available to such other executives without restriction or limitation by reason of this Agreement.

8.5 Nothing herein contained shall prevent the Company from at any time increasing the compensation herein provided to be paid to Executive, either permanently or for a limited period, or from paying bonuses and other additional compensation to Executive, whether or not based upon the earnings of the business of Company, or from increasing or expanding any employee benefit program applicable to the Executive, in the event the Company, in its sole discretion, shall deem it advisable so to do in order to recognize and compensate fairly Executive for the value of his services.

9. Death or Disability.

9.1 If Executive shall die during the term hereof, this Agreement shall immediately terminate, except that Executive's legal representatives or designated beneficiaries shall be entitled to receive (i) the Base Salary due to Executive hereunder to the last day of the month following the month in which his death occurs, payable in accordance with the Company's regular payroll practices, (ii) all other benefits payable upon death under any employee benefit program or other insurance covering the Executive as of the date of death; and (iii) a pro-rated portion of the Bonus Shares payable under Section 4.

9.2 In the event of the Disability of the Executive, as hereinafter defined, the Executive shall be entitled to continue to receive payment of his Base Salary (prorated as may be necessary) in accordance with the terms of Section 3 hereof through the last day of the third month following the month in which Executive's employment hereunder is terminated as a result of such Disability. At any time after the date of the Notice (as hereinafter defined) and during the continuance of the Executive's Disability, the Company may at any time thereafter terminate Executive's employment hereunder by written notice to the Executive. The term "Disability" shall mean physical or mental illness or injury which prevents the Executive from performing his customary duties for the Company for a period of sixty (60) consecutive days or an aggregate period of one hundred twenty (120) days out of any consecutive twelve (12) months. The date of commencement of Disability shall be the date set forth in the notice (the "Notice") given by Company to the Executive at any time following a determination of Disability, which date shall not be earlier than the date the Notice is given by Company. A determination of Disability by Company shall be solely for the purposes of this Section 9.2 and shall in no way affect the Executive's status under any other benefit plan applicable to the Executive.

9.3 Upon the occurrence of a Disability, and unless the Executive's employment shall have been terminated as provided in Section 9.2, the Executive shall, during such time as he is continuing to receive Base Salary payments as set forth in Section 9.2, perform such services for Company, consistent with his duties under Section 1 hereof, as he is reasonably capable of performing in light of the condition giving rise to a Disability. All payments due under Section 9.2 shall be payable in accordance with Company's regular payroll practices. Any amount paid to Executive pursuant to this

Agreement by reason of his Disability, shall be reduced by the aggregate amount of all monthly disability payments which the Executive is entitled to receive under all workers compensation plans, disability plans and accident, health or other insurance plans or programs maintained for the Executive by Company, by any company controlling, controlled by or under common control with, Company.

9.4 In the event the Executive's employment is terminated due to Disability, the Executive shall be entitled, in addition to the Base Salary payments described in Section 9.2, to the Bonus Shares payable in accordance with Section 4 for the fiscal year in which such Disability occurs, pro-rated by multiplying the Bonus Shares otherwise issuable by a fraction, the numerator of which is the number of days the Executive was employed during such fiscal year and the denominator of which is 365.

10. Termination for Cause.

10.1 The employment of the Executive may be terminated by the Company for Cause. For this purpose, "Cause" shall mean:

- (i) an act constituting a felony and resulting or intended to result, directly or indirectly, in his gain or personal enrichment at the expense of the Company and its shareholders;
- (ii) dishonest acts against the Company;
- (iii) illegal drug use;
- (iv) grossly or willfully neglecting to carry out his duties under this

Agreement resulting in material harm to the Company.

The Executive's employment shall not be terminated for Cause under clauses (ii) or (iv) unless

(a) the Executive has received at least 15 days notice of a meeting of the Board of Directors at which meeting the Board shall consider the

existence of Cause, shall provide the Executive with an opportunity to be heard before the Board, and, following such consideration and hearing, the Board has determined, based upon credible evidence, that grounds for Cause exist; and (b) the misconduct or breaches on which an assertion of Cause is based are not cured within 30 days thereafter if such misconduct or breaches are capable of being cured.

10.2 In the event of a termination for Cause, the Executive shall (a) be entitled to any unpaid Base Salary pro rated up to the date of termination, and (b) shall have no further rights under this Agreement. Furthermore, the Executive shall be and remain subject to all provisions of Section 13 below for the period indicated therein, but shall not receive any of the compensation set forth therein.

11. Termination Upon Change of Control or by Company Without Cause.

11.1 A "Change in Control" shall occur: (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 Company representing twenty- five percent (25%) or more of the total number of outstanding shares of common stock of the Company; or (B) if individuals who, at 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 75% of the Incumbent Directors shall be treated as an Incumbent Director. For purposes hereof, "person" shall mean any individual, partnership, joint venture, association, trust, or other entity, including a "group" as referred to in section 13(d)(3) of the Securities Exchange Act of 1934.

11.2 If there occurs a Change in Control, and if there subsequently occurs a material adverse change, without the Executive's written consent, in the Executive's working conditions or status, including but not limited to a significant change in the nature or scope of the Executive's authority, powers, duties or responsibilities, or a reduction in the level of support services or staff, then, whether or not such change would otherwise constitute a breach of this Agreement by the Company, this Agreement may be terminated by notice given by the Executive, specifying the Change of Control and significant adverse change or changes.

11.3 Upon the termination of this Agreement in accordance with Section 11.2 above, the Executive will be entitled, without any duty to mitigate damages, to:

- (a) All unpaid Base Salary pro-rated up to the date of termination; and
- (b) The full number of unissued Bonus Shares pursuant to Section 4;
- (c) A severance payment equal to 2.99 times the Base Salary in effect for the prior fiscal year; and
- (d) All benefits available under the Company's employee benefit programs, to the extent applicable to senior executives voluntarily and amicably retiring from employment with the Company.

11.4 In the event that the Company shall actually or constructively terminate this Agreement during the Initial Term or any Renewal Term without cause (and with or without a Change of Control), the Executive shall be entitled to the same payments, compensation and rights as provided in the case of a termination by the Executive under Section 11.3.

11.5 The payments and any other compensation and benefits to which the Executive is entitled under this Section 11 shall be made available to the Executive no later than thirty (30) days after the date of any termination referred to in Section 11.2, 11.3 or 11.4.

11.6 In the event that Executive receives the payments and any other compensation and benefits referred to in this Section 11, he will be bound by the restrictive provisions of Section 13 for the period therein provided, subject to the right to receive the compensation therein set forth.

12. Termination by Executive.

12.1 If the Executive shall terminate his employment under this Agreement during the Initial Term without either (i) a Change of Control or (ii) the express written consent of the Company, then, for purposes of establishing the rights of the Executive upon such termination, such termination shall be deemed the equivalent of a termination for Cause under Section 12.1, and the Executive shall have only those rights with regard to compensation as are set forth in Section 12.2, and the restrictive provisions of Section 13 below shall fully apply (but the Executive shall not have any right to the compensation set forth therein).

12.2 If the Executive shall terminate his employment under this Agreement during any Renewal Term without either (i) a Change of Control or (ii) the express written consent of the Company, then, for purposes of establishing the rights of the Executive upon such termination, the Executive shall be entitled to receive:

- (a) All unpaid Base Salary pro-rated up to the date of termination; and
- (b) the full and absolute ownership of all Bonus Shares previously delivered to him, subject to the provisions of the securities laws of the United States, but without the specific limitations set forth in Section 4 hereof.

12.3 In the case of a termination pursuant to Section 12.2, the restrictions set forth in Section 13 shall apply to Executive for the period therein stated, and the Executive shall receive the compensation set forth therein.

13. Restrictive Covenants; Compensation.

13.1 During such time as this Agreement shall be in effect and, except as otherwise explicitly stated herein, for a period of three (3) years following the termination of Executive's employment, and without the Company's prior written consent (which may be withheld for any reason or for no reason in Company's sole discretion), Executive shall not do anything in any way inconsistent with his duties to, or adverse to the interests of, the Company, nor shall Executive, directly or indirectly, himself or by or through a family member or otherwise, alone or as a member of a partnership or joint venture, or as a principal, officer, director, consultant, employee or stockholder of any other entity, compete with Company or be engaged in or connected with any other business competitive with that of Company or any of its affiliates, except that Executive may own as a passive investment not more than five percent (5%) of the securities of any publicly held corporation that may engage in such a business competitive with that of Company or any of its Affiliates.

13.2 In view of the fact that Executive will be brought into close contact with many confidential affairs of Company and its Affiliates not readily available to the public, Executive agrees during the Term of this Agreement and thereafter:

(a) to keep secret and retain in the strictest confidence all non-public information about (i) research and development, test results, suppliers, venture or strategic partners, licenses and patents or patent applications, planned

or existing products, knowhow, financial condition and other financial affairs (such as costs, pricing, profits and plans for future development, methods of operation and marketing concepts) of Company and its Affiliates; (ii) the employment policies and plans of the Company and its Affiliates; and (iii) any other proprietary information relating to the Company and its Affiliates, their operations, businesses, financial condition and financial affairs (collectively, the "Confidential Information") and, for such time as Company or any of its Affiliates is operating, Executive shall not disclose the Confidential Information to anyone not then an officer, director or authorized employee of Company or its Affiliates, either during or after the term of this Agreement, except in the course of performing his duties hereunder or with Company's express written consent or except to the extent that such confidential information can be shown to have been in the public domain through no fault of Executive; and

(b) to deliver to Company within ten days after termination of his services, or at any time Company may so request, all memoranda, notes, records, reports and other documents relating to Company or its Affiliates, businesses, financial affairs or operations and all property associated therewith, which he may then possess or have under his control.

13.3 Executive shall not at any time during the three-year period following the termination of his employment for any reason whatsoever, including termination resulting from the natural expiration of the term of this Agreement, (i) employ any individual who was employed by Company or any of its Affiliates at any time during the such period or during the 12 calendar months

immediately preceding such termination, or (ii) in any way cause, influence or participate in the employment of any such individual by anyone else in any business that is competitive with any of the businesses engaged in by Company or any of its Affiliates.

13.4 Executive shall not at any time during the three -year period following the termination of his employment, for any reason whatsoever, including termination resulting from the natural expiration of the term of this Agreement, directly or indirectly, either (i) persuade or attempt to persuade any customer or client of the Company or of any of its Affiliates to cease doing business with Company or with any Affiliate, or to reduce the amount of business it does with Company or with any of its Affiliates, or (ii) solicit for himself or any person other than Company or any of its Affiliates, the business of any individual or business which was a customer or client of Company or any of its Affiliates at any time during the eighteen month period immediately preceding such termination.

13.5 Executive acknowledges that the execution and delivery by him of the promises set forth in this Section 13 is an essential inducement to Company to enter into this Agreement, and that Company would not have entered into this Agreement but for such promises. Executive further acknowledges that his services are unique and that any breach or threatened breach by Executive of any of the foregoing provisions of this Section 13 cannot be remedied solely by damages. In the event of a breach or a threatened breach by Executive of any of the provisions of this Section 13, Company shall be entitled to injunctive relief restraining Executive and any business, firm, partnership, individual, corporation or other entity participating in such breach or attempted breach. Nothing herein, however, shall be construed as prohibiting Company from pursuing

any other remedies available at law or in equity for such breach or threatened breach, including the recovery of damages and the immediate termination of the employment of Executive hereunder.

13.6 If any of the provisions of, or promises contained in, this Section 13 are hereafter construed to be invalid or unenforceable in any jurisdiction, the same shall not affect the remainder of the provisions or the enforceability thereof in any other jurisdiction, which shall be given full effect, without regard to the invalid portions or the unenforceability in such other jurisdiction. If any provisions contained in this Section 13 are held to be unenforceable in any jurisdiction because of the duration or scope thereof, the parties hereto agree that the court making such determination shall have the power to reduce the duration and/or scope (if such provision, in its reduced form, shall be enforceable); provided, however, that the determination of such court shall not affect the enforceability, duration or scope of this Section 13 in any other jurisdiction.

13.7 As separate and additional compensation to be paid to the Executive in consideration of the observance and performance of the promises contained in this Section 13, the Company agrees that, during the period of restrictions set forth in this Section 13, the Executive will be entitled to be paid an amount equal to 100% of the Base Salary computed at the annual rate prevailing immediately prior to the termination of his employment (such amount to be paid in the same manner as the Company's regular payroll practices), except that, (i) in the case of termination of the Executive's employment for Cause, or in case the Executive shall terminate this Agreement under Section 12.1 during the Initial Term, the Executive will receive no such compensation

14. Relationship of Parties.

Nothing herein contained shall be deemed to constitute a partnership between or a joint venture by the parties, nor shall anything herein

contained be deemed to constitute either the Executive, the Company or any Affiliates the agent of the other except as is expressly provided herein. Neither Executive nor Company shall be or become liable or bound by any representation, act or omission whatsoever of the other party made contrary to the provisions of this Agreement.

15. Notices.

All notices and communications hereunder shall be in writing and delivered by hand or sent by registered or certified mail, postage and registration or certification fees prepaid, return receipt requested, or by overnight delivery such as Federal Express, and shall be deemed given when hand delivered or upon three (3) business days after the date when mailed, or upon one (1) business day after delivery to an agent for overnight delivery, if sent in such manner, as follows:

If to Company: Celsion Corporation
10220-1 Old Columbia Road,
Columbia, Maryland 21046-1705.
Attention: Board of Directors

With a copy to: Bresler Goodman & Unterman LLP
521 Fifth Avenue
New York, NY 10175
Attn: Kevin J. Lake

If to Executive: Augustine Y. Cheung
C/o Celsion Corporation
10220-1 Old Columbia Road,
Columbia, Maryland 21046-1705.

The foregoing addresses may be changed by notice given in the manner set forth in this Section 15.

16. Disputes.

Any dispute arising under this Agreement shall be settled in accordance with the following provisions. If the parties are deadlocked on any issue arising under the terms of this Agreement, a tiebreaker shall be chosen by the Dean of the School of Business Administration at the University of Maryland.

Each party may present its proposal to the designated tiebreaker in written form and may, on a date established by the tiebreaker within fifteen calendar days of the day the tiebreaker is chosen, make an oral presentation not to exceed two hours in length, accompanied by exhibits and written arguments not to exceed 50 pages in length. The designated tiebreaker shall then select one of the submitted proposals, without any change or adjustment, and shall announce to the parties his or her selection within five calendar days of the day of submission. The party offering the proposal that is not selected by the tiebreaker shall bear all costs and expenses (including legal, expert and other fees and expenses), and the expenses and fees charged by the tiebreaker. Any award by the tiebreaker may be enforced on application of either party by the order or judgment of any Federal or state court in the State of Maryland as the party making such application shall elect, having jurisdiction over the subject matter thereof. Each of the parties hereto hereby submits itself to the jurisdiction of any such court and agree that service of process on it in any action, suit or proceeding to enforce any such award may be effected by the means by which notices are to be given to it under this Agreement.

17. Miscellaneous.

17.1 This Agreement contains the entire understanding of the parties hereto with respect to the employment of Executive by Company during the term hereof, and the provisions hereof may not be altered, amended, waived, terminated or discharged in any way whatsoever except by subsequent written agreement executed by the party charged therewith. This Agreement supersedes all prior employment agreements, understandings and arrangements between Executive and Company pertaining to the terms of the employment of Executive. A waiver by either of the parties of any of the terms or conditions of this Agreement, or of

any breach hereof, shall not be deemed a waiver of such terms or conditions for the future or of any other term or condition hereof, or of any subsequent breach hereof.

17.2 The provisions of this Agreement are severable, and if any provision of this Agreement is invalid, void, inoperative or unenforceable, the balance of the Agreement shall remain in effect, and if any provision is inapplicable to any circumstance, it shall nevertheless remain applicable to all other circumstances.

17.3 Company shall have the right to deduct and withhold from Executive's compensation the amounts required to be deducted and withheld pursuant to any present or future law concerning the withholding of income taxes. In the event that Company makes any payments or incurs any charges for Executive's account or Executive incurs any personal charges with Company, Company shall have the right and Executive hereby authorizes Company to recoup such payments or charges by deducting and withholding the aggregate amount thereof from any compensation otherwise payable to Executive hereunder.

17.4 This Agreement shall be construed and interpreted under the laws of the State of Maryland applicable to contracts executed and to be performed entirely therein.

17.5 The captions and section headings in this Agreement are not part of the provisions hereof, are merely for the purpose of reference and shall have no force or effect for any purpose whatsoever, including the construction of the provisions of this Agreement.

17.6 To the extent any provision of this Agreement contemplates action after termination hereof or creates a cause of action or claim on which action may be brought by either party, such provision, cause of action or claim shall survive termination of Executive's employment or termination of this Agreement.

17.7 Executive may not assign his rights nor delegate his duties under this Agreement; provided, however, that notwithstanding the foregoing this Agreement shall inure to the benefit of Executive's legal representatives, executors, administrators or successors and to the successors or assigns of Company.

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

CELSION CORPORATION

By: /s/ Spencer J. Volk

Spencer J. Volk, President

/s/ Augustine Y. Cheung

Augustine Y. Cheung